

MATZIKAMA MUNICIPALITY

2018/19

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CHAPTER 1






COMPONENT A: MAYOR'S FOREWORD

As the Executive Mayor of Matzikama Municipality, it is indeed a privilege to present the Municipality's Annual Report for the 2018/19 financial year.

The annual report however requires compliance with the legal framework and prescripts but also provide an opportunity to focus on achievements and challenges of the Council and its residents. This financial year must be singled out for the worst drought ever recorded with the toughest of all economic conditions ever experienced.

We also owe gratitude to the residents of Matzikama who supported the measures (restrictions) that we put in place to conserve the very critical water supply. We will do anything possible to maintain good governance in an environment where service delivery is paramount.

This Council will strive to improve on the achievements of our predecessors and accelerate the provision of the much-needed municipal services focusing on the five developmental local government key performance areas of:

-  Infrastructure and Service Delivery
-  Institutional Transformation and Development
-  Local Economic Development
-  Financial Viability
-  Good Governance and Public Participation

In compliance with Section 127 of the MFMA Act No. 56 of 2003 and as an expression of commitment to public participation, service delivery and clean accountable government – Council presents this annual report to its stakeholders because when we work together, we can achieve so much more.

There are however serious challenges that lie ahead with a decreasing residential tax base that will hopefully be augmented through the attraction and retaining of major investments into the area by pursuing the dream of the president referring to the “city elsewhere.”

We must create an enabling environment where the economy can grow and blossom to reduce poverty. The biggest challenge ahead is probably the provision of basic services to an increasing population in our jurisdiction, most of whom cannot contribute to the municipality's revenue base due to unemployment.

The Municipality is pro-active and is not only fulfilling in its service delivery mandate, but also in an active economic development mandate as it is mandated in the Constitution. In an environment of increasing scarce resources, the Matzikama Municipality is pursuing an approach of doing more with less in the promotion of efficient, economic and effective use of resources and to be responsive to the needs of the community.



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I wish to conclude by thanking the Mayoral Committee, the Deputy Mayor, Speaker and the management team which includes the Municipal Manager, Directors and staff in general.

I thank you.

Cllr. D.D. Jenner

Executive Mayor of Matzikama Local Municipality

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COMPONENT B: EXECUTIVE SUMMARY

1.1 MUNICIPAL MANAGER'S OVERVIEW

Report of the Accounting Officer (Municipal Manager) in terms of Section 121 of the Local Government: Municipal Finance Management Act No 56 of 2003 (the MFMA)

The Municipal Finance Management Act (herein after referred to as the MFMA) requires of the Accounting Officer to do an assessment of any arrears on Municipal taxes and service charges as well as the Municipality's performance against the measureable performance objects referred to in Section 17(3)(b) of the said Act. The latter assessment is dealt with in Chapter 3 of the Annual Report.







The Matzikama Municipality is a Category B municipality with powers and functions assigned in terms of Sections 155 and 156 of the Constitution of the Republic of South Africa, 1996. These powers and functions are exercised subject to Chapter 5 of the Municipal Structures Act, 117 of 1998 and Chapter 3 of the Local Government Municipal Systems Act, 32 of 2000. The municipality covers an area of more than 12 000 km², consist of 8 wards and comprise of 18 towns.



The overall financial performance of the Municipality in 2018/19 confirms sound financial practices with the revenue increasing year on year in line with the adopted budgets. The Capital Budget spending for the 2018/19 financial year yielded a result of 79.4% in terms of the Final Adjustments Budget. Drought relief projects could not be completed in time because of the delays in receiving equipment that were ordered from overseas suppliers. The Municipality's actual operating revenue and expenditure yielded results of 94.8% and 95.6% respectively, when compared to the Final Adjustments Budget.

Arrears assessment

The Auditor General of South Africa has, in its report on the 2018/19 financial statements of the Municipal Council, emphasised the material impairment of R43.5 million on receivables from exchange transactions. As required by the MFMA my assessment of the arrears on municipal taxes and service charges as at 30 June 2018 is as set out below:

-  The gross outstanding property rates decreased by 1.71% when compared to the 2017/18 financial year.
-  the gross outstanding service debtors in total increased with 16.3% when compared to the 2017/18 financial year. This was mainly due to the poor payment levels for water sales and the knock-on effect of the recent drought.
-  the main contributors to the outstanding debt are waste water management at 28.1% and waste management at 25.7% and water sales at 25.6%.
-  the effective implementation of the Credit Control Policy in areas where Eskom is a supplier of electricity is playing a major role in the escalation of the service debtors.
-  the majority of households are working in the agriculture sector which has been adversely affected by drought.
-  the Municipality will continue to effectively implement its debt control policy and all legal paths will be followed to collect its outstanding debt.

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Revenue Collection




The municipality's performance for revenue collection improved as is evident from the debtors' payment ratio that increased from 89.75% in 2017/18 to 94.31% in 2018/19. I am acutely aware that the Municipality's financial sustainability is dependent on its ability to optimally collect the budgeted revenue, hence our revenue enhancement strategy will be reviewed and updated to ensure financial sustainability.

Material Losses

Electricity Distribution Losses

There was a minor increase in the electricity losses of due to aged infrastructure. The total loss for the 2018/19 financial year was 13.25% compared to the loss of 13.10% in the previous financial year. The electricity losses are mainly the result of ageing infrastructure and the theft of electricity in certain areas within the municipality.

The following corrective measures will be implemented to reduce energy losses:

-  Awareness campaigns to report theft of electricity
-  Investigate all bulk meters and replacing conventional pre-paid meters
-  Regular checks by law enforcement officers in high risk areas.

Incidents of Theft / Fraud / Gross Negligence

Certain officials were investigated for theft, fraud and corrupt activities and were subsequently dismissed through disciplinary processes.

Closing Remarks

The maintenance of municipal infrastructure remains a major challenge for the municipality. The poor state of our roads in some of our municipal area, and our inability to rehabilitate the same is still a major concern. The prudent management of our municipal financial resources and effective management of municipal labour will be crucial for Council to overcome the tough economic challenges.

Risk Management remains an integral part of the planning processes as well as mitigation of any possible eventualities. Significant strategic risks facing the Municipality include drought management; economic growth and development and insufficient housing resources for emergency relocations. This Annual Report and our audit outcome authenticate what can be accomplished in local government through a combined approach of Council, management and staff to ensure effective service delivery and sound financial management discipline.

I would further like to take this opportunity to thank our Council and the staff for their continuous hard work and for the support during the 2018-19 financial and performance year.

It is indeed a pleasure to present the 2018/19 Annual Report of the Matzikama Municipality.

GERALD SEAS
ACTING MUNICIPAL MANAGER

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1.2 MUNICIPAL OVERVIEW

This report addresses the performance of the Matzikama Municipality in the Western Cape in respect of its core legislative obligations. Local government must create the participatory framework that defines and enhances the relationship between elected leaders and their communities. This requires that the council of the municipality provides regular and predictable reporting on programme performance and the general state of affairs in their locality.

The 2018/19 Annual Report reflects on the performance of the Matzikama Municipality for the period 1 July 2018 to 30 June 2019. The Annual Report is prepared in terms of Section 121(1) of the Municipal Finance Management Act (MFMA), in terms of which the Municipality must prepare an Annual Report for each financial year.

1.2.1 Vision and Mission

The Matzikama Municipality committed itself to the vision and mission of:

Vision:

“A Safe and Prosperous Matzikama”

Mission:

“To achieve effective service delivery and upliftment of the community through sustainable economic development”

1.2.2 Demographic Information

Municipal Geographical Information

Matzikama – (“matzi = he gives, kamma = water”) Municipality, in Southern Namaqualand is a category B municipality proclaimed in terms of Provincial Notice No. 481/2000 of September 2000. Matzikama Municipality is the result of the amalgamation of the towns of Klawer, Vanrhynsdorp, Lutzville, Vredendal, Ebenhaeser, Papendorp, Doring Bay and Strandfontein. The DMA area comprising of towns Kliprand, Bitterfontein, Molsvlei, Rietpoort, Put-se-Kloof, Nuwerus, Stofkraal and Koekenaap also falls within the municipal area.

The region is dominated by the Maskam, Gifberg, Khobee and Bokkeveld Mountains to the East. To the West lies the mighty Atlantic Ocean, with its cold Benguela current which has an impact on the unique flora of the Knersvlakte Bioregion. Southbound, the Cederberg and the rest of the Western Cape beckons.

Matzikama lies on the N7, Cape Namibia route, approximately 300km (3 hours) North of Cape Town and 1200 km from Windhoek. It can also be reached from the North (Gauteng, Mpumalanga, etc.) along the N14/R27 via Upington, N12/R27 via Kimberley and the N1/R63 via Bloemfontein and Victoria West.

Matzikama is characterized by an arid environment but is served by a life-giving arterial namely the Olifants River. The river with its associated canal systems supports a flourishing agricultural sector that is mainly built on viniculture. The population is therefore concentrated along the river. Only the villages of Vanrhynsdorp, Doring Bay and Strandfontein are not linked to the river. Doring Bay and Strandfontein are coastal towns.

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Wards

The Municipality is currently structured into the following 8 Wards:

Ward	Areas
1	Lutzville, Lutzville-West and the surrounding farms
2	Doring Bay, Strandfontein, Ebenhaeser, Papendorp and surrounding farms
3	The most northern section of Vredendal-North and surrounding farms
4	The southern section of Vredendal North as well as the eastern section of Vredendal-South and surrounding farms
5	Vredendal South and surrounding farms
6	Klawer, Trawal and surrounding farms
7	Vanrhynsdorp and surrounding farms
8	Bitterfontein, Koekenaap, Nuwerus, Kliprand, Stofkraal, Molsvlei, Rietpoort and Put-se-Kloof

Table: 1 *Municipal Wards*

Below is a map of the Western Cape that indicates the location of the Matzikama Municipality:



Figure 1.: Matzikama Municipal Map

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Below is a map indicating all the towns that resides under the Matzikama Municipal area



Figure 2.: Matzikama Towns

KLAWER

The town is located 22 km south of Vanrhynsdorp on the Cape/Namibia tourism route and developed from a railway crossing between Cape Town and Bitterfontein. Since the reduction in rail transport the agriculture sector and services industry continued to provide income to the population of Klawer. Klawer is surrounded by many farms and attracts a large number of tourists to the area to join in the agri-tours presented by the Kapel farm in the area.

VANRHYNSDORP

Vanrhynsdorp is the most southern and oldest town in Namaqualand. It exists since 1661. The town is also the gate way to the Western Cape, Upington, Johannesburg, Namibia, Vredendal and the coastal towns. Vanrhynsdorp is located 300 km north of Cape Town on the intersection to Cape Namibia, Namakwari and West Coast Karoo tourism routes. The economic base comprises the services and agriculture industries.

LUTZVILLE

Lutzville developed from a farm established in 1923 and is located 48 km west of Vanrhynsdorp on the West Coast Tourism Route. Apart from the many farming activities in the area tourism has the potential to add significantly to the economic base of the local urban economy and is linked to the wine industry, annual agriculture expo, annual wildflower season and its location on the West Coast Tourism Route. The town accommodates a large number of the workers employed by Namaqua Sands as well as farm workers and hence the low unemployment rate.

VREDENDAL

Vredendal is by far the largest town in the area and is also centrally located rendering it the logical economic and administrative centre. The town is located 24 km east of Vanrhynsdorp on the West Coast Tourism Route.

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EBENHAESER/PAPENDORP

These two villages function as a residential settlement with very few economic activities apart from government services, farm labourers and subsistence farming activities. The villages are located on the banks of the Olifants River and play an important role in protecting the sensitive eco system of the Olifants River. These two villages developed from a mission station founded by the Rynse Church in 1831.

DORING BAY

Doring Bay is located on the coastline, 80 km west of Vanrhynsdorp and 15 km north of Lamberts Bay, making it ideal for tourism and aquaculture development. Both aquaculture and tourism have huge potential and can play an important role in mitigating unemployment caused by the decline of the fishing industry.

STRANDFONTEIN

Strandfontein has been a holiday resort and retirement village since its existence. The town recorded a relatively high ranking in terms of its resource and development potential. Out of the 131 towns situated in the Western Cape Province, Strandfontein was ranked 28th in terms of composite development potential and 2nd in terms of composite resource potential. The town is located on the coastline 5 km north of Doring Bay and 75 km west of Vanrhynsdorp. The town draws many tourists and holiday makers annually and has become more sought after than ever before.

REVIUOUSLY DISTRICT MANAGED AREA

The area of roughly 8 000 km² with a population of just over 7 000 people comprise of 7 different villages including Kliprand, Bitterfontein, Nuwerus, Molsvlei, Stofkraal, Rietpoort and Put-se-Kloof. Apart from livestock farming, no other major economic activity apart from retail and a few government services exist in the area. The area is basically a residential area with most of the population being unemployed. The few that is employed work for the nearby mining companies.

Population

Total Population

The table below indicates the total population within the municipal area according to the Census of 2011 and the Community Survey 2016:

2011	2016
67 147	71 813

Table: 2 Total Population

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Households

The total number of households within the municipal area are 20 821 according to the Community Survey 2016.

Households	2011	2016
Number of households in municipal area	18 835	20 821

Table: 3 Total Number of Households

Economic Activities

The 3 largest sectors in the Matzikama Municipality are pertained in the following table:

Key Economic Sectors	Contribution to Gross Domestic Product (GDP)
Commercial Services	34.3%
Agriculture, Forestry and Fishing	24.3%
Government and Community, Social and Personal Services	16.5%
Source: Community Survey 2016	

Table: 4 Contribution to GDP of Matzikama Municipality

The Municipality is dependent on the following economic activities:

Key Economic Sectors	Description
Agriculture	Grapevines, fruit and vegetables, livestock
Fishing	Limited to recreational and small fishing rights
Tourism	Seasonal, especially during the flower season
Mining	The municipal area is home to 10 mining companies that mine a variety of minerals, including heavy sands, rare earth minerals, diamonds, clay, salt, gypsum and lime
Manufacturing	Manufacturing comprise products including tomato paste/sauce, table grapes, wine and spirits, mineral separation (first phase of manufacturing) and dried fruit. Manufacturing in the pipeline include plastic products from waste plastics and mineral separation from rare earth minerals.
The Public Sector	The municipal area is home to ten provincial and national sector departments
The Service Sector	This sector comprises all the banks including ABSA, FNB, Standard, Nedbank, Capitec and African Bank as well as other financial service providers including Old Mutual and Sanlam. As a result of the more than 1 923 farms in the area many engineering and other support services exists

Table: 5 Key Economic Activities

Natural Resources

The Municipality has the following natural resources in its area:

Natural Resources	
Major Natural Resource	Relevance to the Community
Olifants River	The only reliable source of potable and irrigation water
Climate	The agriculture sector that is dependent on the right climatic conditions is the main employment provider
Minerals	Matzikama is home to 10 mining companies which through procurement of local goods and services pumps more than a R100 million per annum into the local economy which is over and above the many jobs they created for the local communities

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Natural Resources	
Major Natural Resource	Relevance to the Community
The ocean	Despite the dwindling fish stocks that resulted with the closure of the fishing industry along the West Coast of the Western Cape including Doring Bay the ocean still provide great potential for aquaculture development in addition to the income it provides to hundreds of small-scale subsistence fishers
The wind	Eskom identified the municipal area as an ideal location for establishing electricity generating wind farms. Despite these facilities not being able to create jobs for the local people due to the high-tech nature Communities may benefit from the available green energy
Agriculture land	The municipal area is home to high quality agriculture land (soil) that can grow almost any crop. Apart from the fact that current crop production provides sustainable livelihoods to many in the local communities it also offers opportunities to many emerging farmers
Sun (Solar energy)	Unlike wind farms solar energy creates jobs with the local community Communities may benefit from the available green energy

Table: 6 Natural Resources

1.3 SERVICE DELIVERY OVERVIEW

1.3.1 Basic Service Delivery Highlights

The table below specifies the highlights for the year:

Highlights	Description
About 3 775m of new paved roads were constructed in the Matzikama area	New roads were constructed through the MIG program
Transfer of title deeds	522 title deeds were transferred in the municipal area
Upgrade of informal settlements (Vredendal, Klawer, Koekenaap)	Informal settlements were upgraded through the fixing of toilets and adding water taps for the residents. Black plastic bags were also provided for all the residents and an interim community committee were established to speak on behalf of residents
Recycling facility – Vredendal North	Recycling in terms of waste separation started in April 2019
Upgrade of high-voltage lines in Vredendal	The upgrade of high voltage lines was completed in-house which resulted in cost savings
New irrigation for Lutzville-West	Final treated effluent irrigation system used for newly build sports field
Kliprand - Desalination plant	A new desalination plant was built, and the water complies with the SANS 241 standards in all limits
Bitterfontein and Nuwerus- New reservoirs	New reservoirs were built in these 2 towns to ensure sufficient capacity in emergencies as well as to accommodate any new development
Installation of streetlights	The installation of 150 new streetlights, in dark areas, were completed by the Municipality

Table: 7 Basic Service Delivery Highlights

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1.3.2 Basic Service Delivery Challenges

The table below specifies the challenges for the year:

Service Area	Challenge	Actions to address
Water	The lack of a material store to collect material for emergencies, causes delays as material must be procured through the supply chain procedures	The establishment of municipal store must be investigated
	Ageing infrastructure	Funding applications must be submitted to secure funding to upgrade the water infrastructure in all towns
Waste Water (Sanitation)	Vredendal South WWTW operating above capacity	Vredendal South WWTW needs to be upgraded and a business plan has been completed in order to secure funding
	Chlorination of Lutzville water bulk infrastructure	The old dosing system does not allow for chlorine to be evenly distributed in water network although the minimum and maximum limits are being adhered to
Electricity	Illegal connections and meter tampering	The Municipality needs to introduce smart metering/ split meters and monitor usage more carefully
	Installation of Small-Scale Embedded Generation (SSEG)	Requirements for SSEG By-law must be developed
Waste Management	Illegal dumping	Awareness on illegal dumping must be created and continuous collaboration with the community
Housing	Availability of land	Land should be sourced and/or procured to provide for additional housing
Roads and stormwater	Lack of a Roads and Stormwater Master Plan	Roads and Stormwater Master Plan must be put in place to address priority sections of the stormwater systems and to construct new systems were necessary. Also, to prioritize sections of roads to be resurfaced

Table: 8 Basic Service Delivery Challenges

1.4 FINANCIAL HEALTH OVERVIEW

1.4.1 National Key Performance Indicators – Municipal Financial Viability and Management (Ratios)

The following table indicates the Municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and Section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area, namely Municipal Financial Viability and Management.

KPA & Indicator	2017/18	2018/19
Financial viability measured in terms of the Municipality's ability to meet it's service debt obligations as at 30 June 2018 (Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant)	37.87%	9%
Financial viability measured in terms of the outstanding service debtors as at 30 June 2018 (Total outstanding service debtors/ revenue received for services)	39.33%	37.47%

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KPA & Indicator	2017/18	2018/19
Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2018 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets))	1.14	0.35

Table: 9 National KPI's for Financial Viability and Management

1.4.2 Financial Overview

Details	Original budget	Adjustment Budget	Actual
	R'000		
Income			
Grants	109 407	126 101	103 518
Taxes, Levies and tariffs	217 760	224 748	209 927
Other	31 671	59 749	92 873
Less: Expenditure	313 308	352 830	337 527
Net surplus/(deficit)	45 530	57 768	68 791

Table: 10 Financial Overview

1.4.3 Total Capital Expenditure

Detail	2017/18	2018/19
	R'000	
Original Budget	47 709	59 862
Adjustment Budget	62 197	73 271
Actual	40 205	47 719

Table: 11 Total Capital Expenditure

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1.5 ORGANIZATIONAL DEVELOPMENT OVERVIEW

1.5.1 Municipal Transformation and Organizational Development Highlights

The table below specifies the highlights for the year:

Highlights	Description
The agendas of all council meetings were distributed in good time to councillors	The agendas of all council meetings were distributed 48 hours prior to the meetings according to the by-law regulating the conduct of meetings of the Council of Matzikama Municipality
The good quality of all the minutes of council meetings	There were very few corrections/changes to the minutes of council meetings when the minutes of previous meetings were confirmed by Council
Recruitment and selection	The successful appointment of 62 new permanent employees and the promotion of 19 employees
Employee wellness	Wellness Day for employees was held in October 2018 and the implementation of a new Substance Abuse Policy
Internship	Successful implementation of the internship programme for newly graduates and job shadowing for N6 students
Training	106 Employees received training in the 2018/19 financial year and 0.6% of the Municipality's salary budget was spent on implementing its Workplace Skills Plan
The development of a HR leave policy	The development of a policy on the encashment of leave

Table: 12 Municipal Transformation and Organisational Development Highlights

1.5.2 Municipal Transformation and Organisational Development Challenges

The table below specifies the challenges for the year:

Challenges	Action to address
Appointment of a qualified Skills Development Facilitator	Recruitment process to be finalised
Performance management of lower level employees	Implementation of performance management for lower level employees (and not only for senior municipal managers)
The revision and development of certain HR policies	The revision, development and submission of certain HR policies to Council for approval after consultation with the Local Labour Forum
The TASK Grading Salary System	To better the inconsistency of the evaluation of TASK Job Descriptions, the disparities of TASK grades between similar posts and the unhappiness of employees about it

Table: 13 Municipal Transformation and Organisational Development Challenges

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1.6 AUDIT OUTCOMES

Detailed audit action plans driven by the CFO and monitored by the Internal Audit Section are developed annually to address the issues raised by the Auditor-General and monitored on a monthly. The detailed corrective measures/steps are also used to improve internal controls with associated management arrangements. The latter informed the review of the Annual Financial Statements prior to submission to the Auditor-General.

Regular management meetings are held to ensure that senior management collectively strive towards and contribute to developing quality and accurate financial reports.

Year	2015/16	2016/17	2017/18	2018/19
Status	Financially unqualified	Financially unqualified with no other matters (Clean Audit Opinion)	Financially unqualified with no other matters (Clean Audit Opinion)	Financially unqualified with other matters

Table: 14 Audit Outcomes

1.7 IDP

1.7.1 Introduction

Integrated Development Planning is an approach to planning that involves the entire municipality and its citizens in finding the best solutions to achieve good long-term development.

Apart from the IDP being a legislative requirement its ultimate purpose is to be an instrument of Council and its social partners to accomplish the vision of Council through the successful implementation of the strategic objectives and strategies. These developmental objectives and strategies of Council are developed by the same Council based on a comprehensive consultation process with all the Communities in the Municipal area. The IDP does a number of things but first and foremost it enables the Municipality to manage the process of fulfilling its strategic objectives followed by a number of other things including but not limited to:

- The IDP through its public participation processes makes provision for Council to be informed of the challenges facing its social partners
- Through its integrated processes and programs, the IDP equip Council to develop strategies and projects to resolve the challenges of its social partners in a manner that is effective and efficient
- The IDP facilitate the removal of the silo-approach to development practices with the intent to expedite delivering of services amongst other things
- Because the IDP is the only strategic plan that guide development it is instrumental in guiding other spheres of government, the private sector and aid organizations to allocate funds for projects that is aligned with the developmental objectives and strategies of the Municipality
- The IDP is a key strategy of the government to strengthen democracy and transform institutions
- The South African government system comprise three spheres of government that must work together to bring effective and efficient services to the public. The IDP is instrumental in facilitating and coordinating inter-governmental processes between the three spheres of government that is needed to deliver services to the public.

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1.7.2 Highlights: IDP

The table below specifies the highlights for the year:

Highlights	Description
Successful IDP Representative Forum Meeting August 2018	Matzikama Municipality will continue to improve the quality of the IDP Representative Forum Meeting
Successful IDP public meetings in September 2018, as well as April 2019	Matzikama Municipality will continue to improve the attendance of the public at the IDP public meetings
Council approve draft 2018/19 IDP March 2018	The IDP unit will continue to produce an IDP document that is of high standard and that is a conformation of the needs/hopes and aspirations of everyone living in the Matzikama municipal area
Council approves final 2018/19 IDP May 2018	The IDP unit will continue to produce a document that fulfil the vision/mission and strategic objectives of Council but more important address the needs of the community at large
Improve empowerment, increase transparency and accountability	Improved "buy-in" from the community/ward committees, all relevant stakeholders, Council and the administration to ensure that collectively the IDP document becomes a living document
IDP that is more people focused and needs focused	There is a greater drive by the IDP unit to make the process more community friendly by focusing on the needs of people and making sure these needs are prioritised
Increased drive to partnerships with sector departments	Matzikama Municipality, through the IDP unit, strive to create better partnerships with other stakeholder sector departments
Increased feedback about projects status/completed projects and new projects, opportunities etc	During IDP public meetings there is better feedback to communities regarding projects completed. Improved liaison on new projects and opportunities for employment that these projects may create
Greater assistance by the Department of Local Government (DLG) responsible for IDP documents in the province	Currently DLG appointed two West Coast district representatives instructed to assist the local municipalities with IDP related issues

Table: 15 Highlights IDP

1.7.3 Challenges: IDP

The table below specifies the challenges for the year:

Description	Actions to address challenges
Low attendance of sector departments stakeholders of IDP Representative Forum Meetings	Ask for assisting from provincial DLG: IDP unit to invite the relevant state departments to attend the IDP representative Forum Meeting of the Municipality
Low attendance of IDP Public Participation Meetings (Community meetings) by sector departments especially sector departments that is situated in the Matzikama municipal area	Ask for assisting from provincial DLG: IDP unit to invite the relevant state departments to attend the IDP representative Forum Meeting of the Municipality
Challenges of sector departments not linking community needs as provided in the municipal IDP to their departments prospective budgets	Sector departments do not budget according to the community needs as provided in the IDP. DLG should assist Matzikama Municipality to address these issues from a provincial level
Low attendance of IDP meetings by community members	IDP unit should find new methods to notify community members to attend these meetings

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Description	Actions to address challenges
Regular engagements with rural communities	Due to the IDP legislative processes it becomes very difficult for the Municipality to find time to engage on a regular basis with rural communities especially farm workers
Diverse issues across the wards are difficult to address due to the geographical space of the Matzikama municipal area	When national government calculate the equitable share for municipalities, the geographical areas should also be considered
Lack of youth involvement in municipal processes	Better collaboration with sector departments for a collective programme to service the youth
Lack of funds to address the extensive list of community needs and needs that fall outside the municipal mandate as per the IDP	The equitable share is not enough to address the current long list of needs of the community. Needs related to the mandate of the Municipality and also needs that falls outside the mandate of the Municipality
Lack of intergovernmental relations to address the community needs	Citizen engagement programme were one of the programmes created to address this issue

Table: 16 Challenges IDP

1.7.4 IDP Statistics

Matzikama Municipality embarked on a successful public participation process in order to adopt the IDP document. Community members were cordially invited to attend the meetings in the table below:

Ward	Town	Place	Date	Day	Time
Ward 2	Ebenhaeser	Ebenhaeser Community Hall	1 April 2019	Monday	19H00
Ward 1	Lutzville	Lutzville/Uitkyk- Thusong Centre	2 April 2019	Tuesday	19H00
Ward 1	Lutzville-West	Lutzville-West Community Hall	3 April 2019	Wednesday	19H00
Ward 2	Doring Bay	Miriam Owies Hall	4 April 2019	Thursday	19H00
Ward 8	Kliprand	Kliprand Community Hall	5 April 2019	Friday	11H00
Ward 8	Stofkraal	Stofkraal Community Hall	08 April 2019	Monday	11H00
Ward 8	Molsvlei	Molsvlei Community Hall	08 April 2019	Monday	14H00
Ward 3	Vredendal-North	Vergenoeg School Hall	08 April 2019	Monday	19H00
Ward 8	Rietpoort	Rietpoort Community Hall	10 April 2019	Wednesday	11H00
Ward 8	Putsekloof	Putsekloof Community Hall	10 April 2019	Wednesday	14H00
Ward 4	Vredendal-North	Vredendal-North Community Hall	10 April 2019	Wednesday	19H00
Ward 8	Bitterfontein	Bitterfontein Community Hall	11 April 2019	Thursday	11H00
Ward 8	Nuwerus	Nuwerus Community Hall	11 April 2019	Thursday	14H00
Ward 5	Vredendal South	Vredendal Sport Hall	11 April 2019	Thursday	19H00
Ward 6	Klawer	Klawer-North Community Hall	15 April 2019	Monday	19H00
Ward 8	Koekenaap	Koekenaap Community Hall	24 April 2019	Wednesday	19H00
Ward 7	Vanrhynsdorp	Maskamsig Community Hall	25 April 2019	Thursday	19H00

Table: 17 IDP Meetings

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Community attendance of the above meetings were as follows:

Ward	Town	Number Of People Attended
Ward 1	Lutzville	76
Ward 1	Lutzville-West	49
Ward 2	Ebenhaeser	50
Ward 2	Doring Bay	33
Ward 8	Kliprand	37
Ward 8	Stofkraal	68
Ward 8	Molsvlei	26
Ward 3	Vredendal-North	36
Ward 8	Rietpoort	54
Ward 8	Putsekloof	32
Ward 4	Vredendal-North	25
Ward 8	Bitterfontein	48
Ward 8	Nuwerus	36
Ward 5	Vredendal South	27
Ward 6	Klawer	32
Ward 8	Koekenaap	35
Ward 7	Vanrhynsdorp	31

Table: 18IDP Meetings Attendance

1.7.5 2018/19 IDP/Budget Process

The table below provides details of the 2018/19 IDP/Budget process:

No.	Activity	Responsible person	Date
Pre-Budgeting Processes/Tasks			
1.1	Finalise inputs from bulk resource providers (and NERSA) & agree on proposed price increase	CFO	March 2018
1.2	Review whether all bulk resource providers have lodged a request with National Treasury and SALGA seeking comments on proposed price increases of bulk resources	CFO	March 2018
Community Participation Process			
2.1	Community participation in revising the IDP ward in terms of their development needs	Manager: Strategic Services	September 2018
2.2	Community participation in revising the IDP & budget – final recommendations	Manager: Strategic Services	April 2019
Budget Preparatory Process			
3.1	Finalise detailed operating & capital budgets in the prescribed formats incorporating National and Provincial budget allocations, integrate & align to IDP documentation & draft SDBIP, finalise budget policies including tariff policy	CFO	19/03/2018
3.2	Finalise the draft capital and operating budget and budget related policies	CFO	19/03/2018

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No.	Activity	Responsible person	Date
3.3	Note any Provincial and National allocations to municipalities for incorporation into budget	CFO	06/03/2018
3.4	Finalise corrective measures from audit report	CFO	08/12/2017
3.5	Receive bulk resource providers' price increases as tabled in Parliament or the provincial legislature	CFO	31/10/2017
3.6	Approval of NERSA tariffs	CFO	26/06/2018
Budgetary Policies			
4.1	Leasing of caravan sites and chalets	CFO	29/05/2018
4.2	Draft SCM policy	CFO	29/05/2018
4.3	Property rates policy	CFO	29/05/2018
4.4	Funding-and-reserves policy	CFO	29/05/2018
4.5	Credit control policy	CFO	29/05/2018
4.6	Debt policy	CFO	29/05/2018
4.7	Cash management and investments policy	CFO	29/05/2018
4.8	Travel and substance policy	CFO	29/05/2018
4.9	Tariff policy	CFO	29/05/2018
4.10	Virement Policy	CFO	29/05/2018
4.11	Budget Implementation and Monitoring Policy	CFO	29/05/2018
4.12	Acting Allowance Policy	CFO	29/05/2018
4.13	Indigent Policy	CFO	29/05/2018
Tabling of Budgets			
5.1	A1 Schedule	CFO	27/03/2018
5.2	Adjustment Budget: Submit to mayoral committee Submit to council  Submit the approved adjustments budget to the Provincial Treasury and National Treasury.	CFO	04/12/2018
5.3	Adjustment Budget: Submit to mayoral committee Submit to council  Submit the approved adjustments budget to the Provincial Treasury and National Treasury.	CFO	26/02/2019
	Adjustment Budget: Submit to mayoral committee Submit to council  Submit the approved adjustments budget to the Provincial Treasury and National Treasury.	CFO	28/05/2019
5.4	Submit the budget as well as the IDP to the Provincial Treasury, National Treasury and other affected organs of state	CFO	28/03/2018
5.5	Make public the annual budget and invite the community to submit representations	CFO	02/05/2018
5.6	Council must give the mayor an opportunity to respond to the submissions and, if necessary, to revise the budget and table amendments for consideration by the council	CFO	28/05/2018
Approval of Budget and Policies			
6.1	Table final IDP and budget in Council	CFO	28/05/2018

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No.	Activity	Responsible person	Date
	 Submit to Mayoral Committee  Submit to Council		
6.2	Council meeting	CFO	28/05/2018
Finalising			
7.1	Completion of Annual Budget amendments / refinements	CFO	18/05/2018
7.2	Place the IDP, annual budget, all budget-related documents and all budget-related policies on the website	CFO	29/05/2018
7.3	Make public the approved annual budget and supporting documentation	CFO	29/05/2018
7.4	Submit approved budget to the Provincial Treasury and National Treasury	CFO	29/05/2018

Table: 19 2018/19 IDP/Budget Process

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CHAPTER 2

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

The following table indicates the Municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations 796 2001 and Section 43 of the MSA. This key performance indicator is linked to the National Key Performance Area - Good Governance and Public Participation.

KPA & Indicators	2017/18	2018/19
The percentage of the municipal capital budget actually spent on capital projects by 30 June 2018 {(Actual amount spent on projects /Total amount budgeted for capital projects) X100}	69%	72.52%

Table: 20 National KPIs - Good Governance and Public Participation

2.1 GOVERNANCE STRUCTURE

2.1.1 Political Governance Structure

The Council performs both legislative and executive functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the Executive Mayor and the Mayoral Committee. Their primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision makers, councillors are also actively involved in community work and the various social programmes in the municipal area.

a) Council

Below is a table that categorised the councillors within their specific political parties and wards for the 2018/19 financial year:

Council Members	Capacity	Political Party	Ward representing or proportional	Percentage Council Meetings Attendance (%)	Percentage Apologies for non-attendance (%)
Cllr HJ van der Hoven	Executive Mayor	DA	Proportional Representative	100	N/A
Cllr DD Jenner	Executive Deputy Mayor	UD	Proportional Representative	100	N/A
Cllr NS Louw	Speaker	DA	Ward 5	100	N/A
Cllr AFK Job	Executive Councillor	DA	Ward 2	100	N/A
Cllr WD Loff	Executive Councillor	DA	Ward 4	100	N/A

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Council Members	Capacity	Political Party	Ward representing or proportional	Percentage Council Meetings Attendance (%)	Percentage Apologies for non-attendance (%)
Cllr A Sindyamba	Executive Councillor	DA	Ward 7	100	N/A
Cllr R Nutt	Executive Councillor	DA	Ward 6	50 until 11/12/2018	N/A
Cllr MM Bains	Ordinary Councillor	ANC	Ward 6	100 From 12/12/2018	N/A
Cllr PG Bok	Ordinary Councillor	ANC	Proportional Representative	80	20
Cllr M Carosini	Ordinary Councillor	DA	Ward 1	100	N/A
Cllr MV Cloete	Ordinary Councillor	DA	Ward 8	100	N/A
Cllr J de Jongh	Ordinary Councillor	ANC	Proportional Representative	90	10
Cllr AW Links	Ordinary Councillor	ANC	Ward 3	90	10
Cllr WH Nell	Ordinary Councillor	ANC	Proportional Representative	90	10
Cllr NM Ngobo	Ordinary Councillor	ANC	Proportional Representative	80	20
Cllr XP Tshetu	Ordinary Councillor	EFF	Proportional Representative	100	N/A

Table: 21 Council 2018/19

The table below indicates the dates of the Council meetings and the number of reports submitted to Council for the 2018/19 financial year:

Meeting date	Number of items/reports submitted to Council
25 July 2018	1
6 August 2018	1
30 October 2018	49
4 December 2018	21
22 January 2019	5
4 February 2019	3
26 February 2019	19
26 March 2019	4
30 April 2019	3
28 May 2019	31

Table: 22 Council Meeting Dates

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b) Executive Mayoral Committee

The Executive Mayor of the Municipality, Cllr G Stephan, assisted by the Mayoral Committee, heads the executive arm of the Municipality. The Executive Mayor is at the centre of the system of governance, since executive powers are vested in her to manage the day-to-day affairs. This means that she has an overarching strategic and political responsibility. The key element of the executive model is that executive power is vested in the Executive Mayor, delegated by the Council, and as well as the powers assigned by legislation. Although accountable for the strategic direction and performance of the Municipality, the Executive Mayor operates in concert with the Mayoral Committee.

The name and portfolio of each Member of the Mayoral Committee is listed in the table below for the period 1 July 2018 to 30 June 2019:

Name of member	Capacity
Cllr HJ van der Hoven	Executive Mayor
Cllr DD Jenner	Executive Deputy Mayor
Cllr AFK Job	Executive Councillor
Cllr WD Loff	Executive Councillor
Cllr A Sindyamba	Executive Councillor

Table: 23 Executive Mayoral Committee

The table below indicates the dates of the committee meetings and the number of reports submitted to Council for the 2018/19 financial year:

Meeting date	Number of items/reports submitted to Council
18 September 2018	17
19 October 2018	13
20 November 2018	3
18 February 2019	10
19 March 2019	4
16 April 2019	6
18 September 2018	17

Table: 24 Executive Mayoral Committee Meeting Dates

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c) Portfolio Committees

Section 80 committees are permanent committees that specialise in a specific functional area of the municipality and may in some instances make decisions on specific functional issues. They advise and assist the executive committee or the executive mayor. Section 79 committees are temporary and appointed by the Council as needed. They are usually set up to investigate a particular issue and do not have any decision-making powers, but they can make recommendations to Council. Once their *ad hoc* task had been completed, Section 79 committees are usually disbanded. External experts, as well as Councillors can be included on Section 79 committees.

The portfolio committees for 2018/19 and their chairpersons are as follow:

Committee	Chairperson	Section 79 or 80 Committee	Number of reports submitted to Council	Meeting Date
MPAC	Cllr XP Tshetu	79	1	12 November 2018
			1	30 January 2019
			1	29 March 2019
			1	19 June 2019
Financial Services	Cllr DD Jenner	80	5	5 February 2019
			5	12 March 2019
			5	14 May 2019
Corporate Services	Cllr A Sindyamba	80	2	13 November 2018
			2	5 February 2019
			2	12 March 2019
			2	14 May 2019
Community Development Services	Cllr AFK Job	80	4	13 November 2018
			3	5 February 2019
			3	12 March 2019
			3	14 May 2019
Infrastructure Services	Cllr WD Loff	80	2	13 November 2018
			2	5 February 2019
			2	12 March 2019
			2	14 May 2019

Table: 25 Portfolio Committees

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2.1.2 Administrative Governance Structure

The Municipal Manager is the Accounting Officer of the municipality. He is the head of the administration, and primarily has to serve as chief custodian of service delivery and implementation of political priorities. He is assisted by his direct reports, which constitutes the management team, whose structure is outlined in the table below:

Name of Official	Department	Performance agreement signed
		(Yes/No)
Mr D Lubbe	Municipal Manager	Yes
Mr G Seas	Financial Services	Yes
Mr W Conradie	Corporate Services	Yes
Mr R Basson	Infrastructure Services	Yes
Mr L Phillips	Community Development Services	Yes
Mr D Lubbe	Municipal Manager	Yes

Table: 26 Administrative Governance Structure

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.2 INTERGOVERNMENTAL RELATIONS

In terms of the Constitution of South Africa, all spheres of government and all organs of state within each sphere must co-operate with one another in mutual trust and good faith fostering friendly relations. They must assist and support one another, inform and consult one another on matters of common interest, coordinate their actions, adhering to agreed procedures and avoid legal proceedings against one another.

Intergovernmental Structures

To adhere to the principles of the Constitution as mentioned above the Municipality participates in the following intergovernmental structures:

Name of Structure
Municipal Managers Forum
Premiers Coordinating Forum
SALGA Working Groups
IDP Managers Forum
LED Managers Forum
SCM Forum
Integrated Waste Management Forum
Provincial Public Participation and Communication Forum (PPPCOM)
IDP Working Group
Chief Financial Officers Forum

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Name of Structure
Municipal Accountants Forum
IDP Indaba's
SCM & LED Indaba

Table: 27 Intergovernmental Structures

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

Section 16 of the MSA refers specifically to the development of a culture of community participation within municipalities. It states that a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance. For this purpose, it must encourage and create conditions for the local community to participate in the affairs of the community. Such participation is required in terms of:

- the preparation, implementation and review of the IDP;
- establishment, implementation and review of the performance management system;
- monitoring and review of the performance, including the outcomes and impact of such performance; and
- preparation of the municipal budget.

2.3.1 Public Meetings

The table below provide details of public communication and participatory initiatives employed by the Municipality:

Ward Number	Date of Events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community Members Attending
Workshop with Ward Committee members: Ward Plans				
Ward 1	8 June 2019	5	8	27
Ward 2	8 June 2019	5	8	27
Ward 3	8 June 2019	5	8	27
Ward 4	8 June 2019	5	8	27
Ward 5	8 June 2019	5	8	27
Ward 6	8 June 2019	5	8	27
Ward 7	8 June 2019	5	8	27
Ward 8	12 June 2019	1	5	10
IDP public participation meetings to obtain community input				
Ward 1	17 September 2018	4	13	131
Ward 2	18 September 2018	1	5	32
Ward 3	19 September 2018	4	11	86
Ward 4	20 September 2018	3	3	43
Ward 5	25 September 2018	3	5	8
Ward 6	26 September 2018	5	8	60

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Ward Number	Date of Events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community Members Attending
Workshop with Ward Committee members: Ward Plans				
Ward 7	27 September 2018	2	8	21
Ward 8: Kliprand	21 September 2018	3	2	41
Ward 8: Stofkraal	25 September 2018	2	4	18
Ward 8: Molsvlei	25 September 2018	2	3	29
Ward 8: Rietpoort	26 September 2018	1	2	41
Ward 8: Putsekloof	26 September 2018	2	2	27
Ward 8: Bitterfontein	27 September 2018	4	3	47
Ward 8: Nuwerus	27 September 2018	4	3	28
Ward 8: Koekenaap	1 October 2018	3	4	28
Public participation of draft budget and draft IDP review				
Ward 1: Lutzville/Uitkyk	2 April 2019	1	16	76
Ward 1: Lutzville West	3 April 2019	1	13	36
Ward 2: Ebenhaezer	1 April 2019	2	16	32
Ward 2: Doring Bay	3 April 2019	2	12	19
Ward 3	8 April 2019	2	9	63
Ward 4	10 April 2019	2	6	38
Ward 5	11 April 2019	1	8	18
Ward 6	15 April 2019	2	13	57
Ward 7	25 April 2019	2	12	51
Ward 8: Kliprand	5 April 2019	3	7	26
Ward 8: Stofkraal	8 April 2019	2	4	60
Ward 8: Molsvlei	8 April 2019	3	4	20
Ward 8: Rietpoort	10 April 2019	2	6	46
Ward 8: Putsekloof	10 April 2019	2	7	23
Ward 8: Bitterfontein	11 April 2019	2	4	93
Ward 8: Nuwerus	11 April 2019	2	5	36
Ward 8: Koekenaap	23 April 2019	2	6	29

Table: 28 Public Meetings

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2.3.2 Ward Committees

The ward committees support the ward councillor who receives reports on development, participate in development planning processes, and facilitate wider community participation. To this end, the Municipality constantly strives to ensure that all ward committees' function optimally with community information provision, convening of meetings, ward planning, service delivery, IDP formulation and performance feedback to communities.

Ward 1: Lutzville and Lutzville West

Name of representative	Capacity representing	Dates of quarterly public ward meetings held during the year
W. Booysen	Geographical Block A	20 August 2018 11 March 2019
J Luikes	Geographical Block B	
E Gqatsiwe	Sport	
W van Reenen	Churches	
L van Wyk	Lutzville West Geographical Area	
M Cloete	Elderly	
N Bock	Small Scale Farmers	

Table: 29 Ward 1 Committee Meetings

Ward 2: Doring Bay, Strandfontein, Ebenhaeser/Papendorp

Name of representative	Capacity representing	Dates of quarterly public ward meetings held during the year
L Klaasen	Doring Bay Development Trust (DDT)	20 August 2018 3 December 2018 12 March 2019
M van Niekerk	Papendorp Geographical Block	
Elizabeth Philander	Small Farmers	
J Pietersen	Elderly	
J van Wyk	Youth	
S Okhuis	Community Police Forum (CPF)	
A Fristley	Sport	
G Afrikaner	Fishing Company	
L Fouche	Strandfontein Geographical Block	
P Blankenberg	Community Property Agency (CPA)	

Table: 30 Ward 2 Committee Meetings

Ward 3: Vredendal North

Name of representative	Capacity representing	Dates of quarterly public ward meetings held during the year
S Thys	Sport	6 December 2018 13 March 2019 (no quorum)
M Kock	School (ECD)	
W Abrahams	Small Business	

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Name of representative	Capacity representing	Dates of quarterly public ward meetings held during the year
P Gxoyiana	Churches	
A Swartz	Health	
J Julies	Geographical Block B	
M Tshayela	Geographical Block A	

Table: 31 Ward 3 Committee Meetings

Ward 4: Vredendal North and South

Name of representative	Capacity representing	Dates of quarterly public ward meetings held during the year
G Lane	Traditional Council	21 August 2018 4 December 2018 7 March 2019
S van Wyk	Geographical Block A	
M Kooste	Elderly	
P van der Westhuizen	Disabled	
J Maarman	Churches	
V Mentoer	Geographical Block B	
W Klaase	Farming Community	

Table: 32 Ward 4 Committee Meetings

Ward 5: Vredendal

Name of representative	Capacity representing	Dates of quarterly public ward meetings held during the year
J Engelbrecht	Christian Family Church	21 August 2018 26 November 2018 4 March 2019
G Niewoudt	Churches	
T van Zyl	Geographical Block A	
S Olivier	Geographical Block B	
I Coetzee	Disabled	
P Oliver	Sport	
B Louw	Community Police Forum (CPF)	
F Loubscher	School Governing Body	
L Bruwer	Westland Arts Association	

Table: 33 Ward 5 Committee Meetings

Ward 6: Klaver and Trawal

Name of representative	Capacity representing	Dates of quarterly public ward meetings held during the year
D Scholtz	Sport	22 August 2018 30 May 2019 5 March 2019
N Spamla	Klaver Block A	
M Rosenberg	Elderly	

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Name of representative	Capacity representing	Dates of quarterly public ward meetings held during the year
A Rosenberg	Klawer Block B	
E Beukes	Community Police Forum (CPF)	
L Filander	Youth	
P Hollenbach	Emerging Farmers	
D Brandt	Churches	

Table: 34 Ward 6 Committee Meetings

Ward 7: Vanrhynsdorp

Name of representative	Capacity representing	Dates of quarterly public ward meetings held during the year
C Flink	Sport	23 August 2018 7 March 2019
H Skippers	Block B-Vanrhynsdorp	
J Rosenberg	Community Police Forum (CPF)	
M Groenewald	Small Farmers	
M Snyers	Traditional Council	
R Eyssen	Geographical Block	
E Meintjies	Religious Community	

Table: 35 Ward 7 Committee Meetings

Ward 8: Kliprand, Stofkraal, Nuwerus, Rietpoort, Molsvlei, Putsekloof, Bitterfontein, Koekenaap





Name of representative	Capacity representing	Dates of quarterly public ward meetings held during the year
S Cloete	Nuwerus Geographical Block Representative	23 August 2018 8 December 2018 6 March 2019
C Hendriks	Stofkraal Geographical Block Representative	
K Stuurman	Kliprand Geographical Block Representative	
E Ovis	Bitterfontein Representative	
Z Engelbrecht	Koekenaap Representative	
A Klaase	Rietpoort Representative	
R Cloete	Putsekloof Representative	
J Nero	Molsvlei Representative	

Table: 36 Ward 8 Committee Meetings

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2.3.3 Functionality of Ward Committee

The purpose of a ward committee is:

-  to get better participation from the community to inform council decisions;
-  to make sure that there is more effective communication between the Council and the community; and
-  to assist the ward councillor with consultation and report-backs to the community and
-  ultimately to promote Government's vision of a developmental government

Ward committees should be elected by the community they serve. A ward committee may not have more than 10 members and women should be well represented. The ward councillor serves on the ward committee and act as the chairperson. Although ward committees have no formal powers, they advise the ward councillor who makes specific submissions directly to the Council. These committees play a very important role in the development and annual revision of the IDP of the area. The table below provides information on the establishment of ward committees and their functionality:

Ward Number	Committee established Yes / No	Number of reports submitted to the Speakers Office	Number meetings held during the year	Number of quarterly public ward meetings held during the year
1	Yes	0	2	1
2	Yes	0	3	1
3	Yes	0	1	1
4	Yes	0	3	1
5	Yes	0	3	1
6	Yes	0	3	1
7	Yes	0	2	1
8	Yes	0	3	1

Table: 37 Functionality of Ward Committee

2.3.4 Representative Forums

Labour Forum

The table below specifies the members of the Labour Forum for the 2018/19 financial year:

Name of representative	Capacity	Meeting dates
Cllr A Sindymba	Executive Councillor (Employer)	5 July 2018 1 October 2018 8 November 2018 27 March 2019 11 February 2019 30 May 2019
Cllr W Loff	Executive Councillor (Employer)	
Cllr A Job	Executive Councillor (Employer)	
D Lubbe	Municipal Manager (Employer)	
W Conradie	Director Corporate Services (Employer)	
G Seas	Director Financial Services (Employer)	
R Basson	Director Infrastructure Services (Employer)	

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Name of representative	Capacity	Meeting dates
L Phillips	Director Community Development Services (Employer)	
J Baardman	Chairman SAMWU (Union)	
L White	Shop steward SAMWU (Union)	
V Peters	Shop steward SAMWU (Union)	
W Skippers	Shop steward SAMWU (Union)	
J Jantjies	Shop steward SAMWU (Union)	
A Dippenaar	Chairman IMATU (Union)	
C Burden	Shop steward IMATU (Union)	
J Fortuin	Shop steward IMATU (Union)	

Table: 38 Labour Forum

COMPONENT D: CORPORATE GOVERNANCE






Corporate governance is the set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the institution is governed.

2.4 RISK MANAGEMENT

To maintain an overall positive perception of the Municipality and confidence in the Municipality from the public and other stakeholders, well planned goals and objectives should be coordinated and achieved within the Municipality. Section 62(1) of MFMA stipulates that the Accounting Officer must take all reasonable steps to ensure that the Municipality has and maintains an effective, efficient and transparent system of financial and risk management and internal control as well as the effective, efficient and economical use of the resources of the Municipality. The Municipality has instituted such a systematic and formalized process in order to identify, assess, manage and monitor risks which effectively ensures achievement of those planned goals and objectives. Thus, risk management is essentially a good governance measure instituted to ensure the municipality accomplish its vision, mission and strategic plans.

The Municipality has an approved Risk Management Policy, Framework and Implementation Plan as approved by Council on 28 May 2019. The Policy is reviewed annually by the risk committee and submitted to the municipal manager for approval.

The risk management function is facilitated internally to ensure the following functions are performed:

-  Assisting management to develop the Risk Management Policy, Strategy and Implementation Plan;
-  Coordinating risk management activities;
-  Facilitating identification and assessment of risks;
-  Recommending risk responses to management; and
-  Developing and disseminating risk reports.

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Further detail of the roles of the risk committee is included in the approved risk committee charter.

Name of Committee Member	Capacity
D Lubbe	Municipal Manager
G Seas	Director Financial Services
L Phillips	Director Community Development Services
R Basson	Director Infrastructure Services
W Conradie	Director Corporate Services

Table: 39 Risk Committee

2.4.1 The top ten risk identified for 2018/19 are as follow:

Risk No.	Risk Description
1	Impact of climate change including drought on economy of the municipal area
2	Current technology inappropriately utilised (IT hardware, software, systems & networks)
3	Aged and overstretched infrastructure
4	Invasion of municipal and private land
5	Implementation of regional waste sites, regional landfill sites and transfer stations: Shared services with Cederberg Municipality to be funded by loan facility by West Coast District Municipality
6	Abuse of municipal assets and resources by officials
7	Insufficient backup power supply for basic services (water and sewerage)
8	Lack of marketing of the Municipality externally to all stakeholders (website)
9	Insufficient impoundment facilities
10	Inadequate systems to detect and prevent security access risk wrt to fire wall (Intrusion Detection System (IDS) vs. Intrusion Prevention System (IPS))

Table: 40 Top Ten Risks for 2018/19

2.5 ANTI-CORRUPTION AND ANTI-FRAUD

Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the MFMA, Section 112(1)(m)(i) identify supply chain measures to be enforced to combat fraud and corruption, favouritism and unfair and irregular practices. Section 115(1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud.

2.5.1 Developed Strategies

Name of strategy	Developed Yes/No	Date Adopted
Anti-Corruption Strategy	Yes	25 May 2019
Fraud Prevention Action Plan	Yes	26 June 2012

Table: 41 Anti-Corruption and Anti-Fraud Strategies

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2.5.2 Implementation of Strategies





Strategies to implement	Key Risk Areas	Key measures to curb corruption and fraud
Fraud Prevention Strategy and Response Plan	Roll-out of Fraud Prevention Strategy and Response Plan to the internal stakeholders through presentations	Fraud Prevention Strategy and Response Plan
Ethics Awareness Programme	Roll-out of Fraud Prevention Strategy & Response Plan to the external stakeholders through outreach programs	Ethics Awareness Programme
Outreach programme on fighting fraud and corruption	Investigations of fraud and corruption	Outreach programme on fighting fraud and corruption
Fraud risks	Monitoring the evaluate the fraud risks on a quarterly basis	Quarterly meetings were held where the fraud risks were evaluated by the Risk Committee and the Audit Committee

Table: 42 Implementation of Anti-Corruption and Anti-Fraud Strategies

2.6 AUDIT COMMITTEE










Section 166(2) of the MFMA states that an audit committee is an independent advisory body which must -

(a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, on matters relating to –






-  internal financial control;
-  risk management;
-  performance Management; and
-  effective Governance.

2.6.1 Functions of the Audit Committee

The Audit Committee have the following main functions as prescribed in Section 166 (2) (a-e) of the MFMA and the Local Government Municipal and Performance Management Regulation:

-  To advise the Council on all matters related to compliance and effective governance.
-  To review the annual financial statements to provide Council with an authoritative and credible view of the financial position of the municipality, its efficiency and its overall level of compliance with the MFMA, the annual Division of Revenue Act (DoRA) and other applicable legislation.
-  Respond to the council on any issues raised by the Auditor-General in the audit report.
-  To review the quarterly reports submitted to it by the internal audit.
-  To evaluate audit reports pertaining to financial, administrative and technical systems.
-  The compilation of reports to Council, at least twice during a financial year.
-  To review the performance management system and make recommendations in this regard to Council.
-  To identify major risks to which Council is exposed and determine the extent to which risks have been minimised.
-  To review the annual report of the municipality.

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-  Review the plans of the Internal Audit function and in so doing; ensure that the plan addresses the high-risk areas and ensure that adequate resources are available.
-  Provide support to the Internal Audit function.
-  Ensure that no restrictions or limitations are placed on the Internal Audit section.
-  Evaluate the activities of the Internal Audit function in terms of their role as prescribed by legislation.
-  Provide Council with comments and recommendations about the proposed budget for the following year.

2.6.2 Members of the Audit Committee

Name of representative	Capacity	Meeting dates
A Titus	Chairperson	30 August 2018 12 November 2018
D Miller	Committee Member	29 March 2019 19 June 2019

Table: 43 Members of the Audit Committee

2.7 PERFORMANCE AUDIT COMMITTEE

The Regulations require that the performance audit committee is comprised of a minimum of three members, the majority of whom are external (neither a councillor nor an employee) of the municipality. Section 14(2)(b) of the Regulations further stipulates that the performance audit committee must include at least one person who has expertise in performance management. It is also a requirement of the Regulations in Section 14(2)(d) that the Council of a municipality designate neither a member of the performance audit committee who is neither a councillor nor an employee of the municipality as the chairperson of the committee.

Both the Regulations and the MFMA, indicate that three is the minimum number of members needed to comprise a performance audit committee. While the regulations preclude the appointment of a councillor as chairperson of the performance audit committee, the MFMA excludes the involvement of a councillor in the composition of a performance audit committee entirely.

Section 14(3)(a) of the Regulations requires that the performance audit committee of a municipality must meet at least twice during each financial year. However, additional special meetings of the performance audit committee may be called for by any member of the committee, where sufficient justification exists in terms of Section 14(3)(b) of the Regulations.

2.7.1 Functions of the Performance Audit Committee

In terms of Section 14(4) (a) of the Regulations the performance audit committee has the responsibility to -

- (i) review the quarterly reports produced and submitted by the internal audit process;
- (ii) review the municipality's performance management system and make recommendations in this regard to the council of the municipality; and

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(iii) at least twice during each financial year submit a performance audit report to the council of the municipality.

2.7.2 Members of the Performance Audit Committee

Name of representative	Capacity	Experience	Meeting dates
A Titus	Chairperson	Law Enforcement in Sheriffing NQF 5 (9-years' experience)	30 August 2018 12 November 2018
D Miller	Member	BComm (Management Accounting) (5-years' experience)	29 March 2019 19 June 2019

Table: 44 Members of the Performance Audit Committee

2.8 INTERNAL AUDITING

Section 165 (2) (a), (b)(iv) of the MFMA requires that:

The Internal Audit Unit of a municipality must –

- prepare a risk-based audit plan and an internal audit program for each financial year; and
- advise the accounting officer and report to the audit committee on the implementation on the internal audit plan and matters relating to risk and risk management.

The Municipality has an in-house internal audit function consisting of 2 internal auditors and 1 intern until 28 February 2018. From 1 March 2018 we outsourced the function to Claassen Stone Chartered Accountants.

2.8.1 Annual Audit Plan

The Risk Based Audit Plan for 2018/19 was implemented with available resources. The Operational Audit Plan for the 2018/19 financial year was approved by the Audit Committee on 28 June 2017. The table below provide details on audits completed:

2018/19				
Description			No of Hours	Date completed
Phase 1				
Compilation of strategic and operational audit plan			92	March 2019
Phase 2				
Audit Engagement	Departmental System	Detail	No of Hours	Date completed
Business process review	Employee cost	Testing the efficiency and adequacy of the controls over the employee cost	218.50	August 2019
Business process review	Employee cost: overtime	Testing the efficiency and adequacy of the controls over the overtime paid out		August 2019
Business process review	Revenue	Testing the efficiency and adequacy of the controls over revenue generated through an exchange transaction	160	March 2019
Business process review	Revenue: Follow-up	Reviewing the implementation plan for the system weaknesses identified in the		June 2019

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2018/19				
Description			No of Hours	Date completed
		business process review done over exchange revenue		
Performance Audit: Quarter 1	Performance review on all departments	Evaluating the accuracy, validity and completeness of the key performance indicators (KPIs)	105	October 2018
Performance Audit: Quarter 2	Performance review on all departments	Evaluating the accuracy, validity and completeness of the key performance indicators (KPIs)	105	March 2019
Performance Audit: Quarter 3	Performance review on all departments	Evaluating the accuracy, validity and completeness of the key performance indicators (KPIs)	100	June 2019
Performance Audit: Quarter 4	Performance review on all departments	Evaluating the accuracy, validity and completeness of the key performance indicators (KPIs)	100	August 2019
Landfill compliance audit	Infrastructure services landfill sites	<ol style="list-style-type: none"> 1. The management of the landfill sites 2. Implementation of the requirements of the license surrounding waste dumped at landfill sites, access control and facility security. 3. Landfill sites include: Bitterfontein, Doring Bay, Ebenhaezer, Klawer, Kliprand, Lutzville, Nuwerus, Rietpoort, Strandfontein 	150	June 2019
Infrastructure grants	MIG conditional grant	<p>Review of the grant spending to adhere to the following:</p> <ol style="list-style-type: none"> 1. Municipal Infrastructure Grant (MIG) Policy of February 2004 2. Act No. 3 of 2017: Division of Revenue Act, 2017 3. MIG Framework (Gazette 36581 dated 24 June 2013) 4. National MIG management unit programme management processes and procedures 5. Processes and procedure manual for the payment schedule including the withholding/stopping and reallocation of the MIG 	100	August 2019
Infrastructure: maintenance	Subsidy claims: maintenance of proclaimed main roads	<p>Validity in the following processes during the claim of subsidies:</p> <ol style="list-style-type: none"> 1. Initiation of the transactions 2. Record keeping and administration 3. Receipt of goods 4. Validity of payments made 5. Monitoring of total expenditure 	8	March 2019

Table: 45 Internal Audit Coverage Plan

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2.9 BY-LAWS AND POLICIES

Section 11 of the MSA gives a Council the executive and legislative authority to pass and implement by-laws and policies.

Below is a list of all the By-laws and policies developed and/or reviewed during the financial year:

Policies developed/ revised	Date adopted	Public Participation Conducted Prior to adoption of policy Yes/No
The roles and areas of responsibility of each political structure, political office bearer and the municipal manager as well as a system of delegations	30 October 2018	Yes
Policy on Guesthouses in the Matzikama Municipal Area	30 October 2018	Yes
Policy on the development of empty plots	30 October 2018	Yes
Policy: Assistance in respect of funerals to needy households / persons and the treatment of impoverished funerals	30 October 2018	Yes
Hall Rental Policy for Matzikama Municipality	30 October 2018	No
Policy on the utilization of sport facilities	30 October 2018	No
Standard Operating Procedure with regard to land use planning appeal hearings and objections against compliance notices	4 December 2018	No
Supply Chain Management Policy	26 February 2019	No
Preferential Procurement Policy	26 February 2019	No
Integrated Waste Management Plan	26 March 2019	Yes
Coastal Management By-Law	26 March 2019	Yes
By-law regarding the use of commonage land by emerging farmers	26 March 2019	Yes
By-law relating to outdoor and tourism advertising and signage	26 March 2019	Yes
By-Law relating to Events	26 March 2019	Yes
By-law on the keeping of animals	26 March 2019	Yes
By-law on the impoundment of animals	26 March 2019	Yes
Spatial Development Framework (SDF)	28 May 2019	Yes
Human Settlement Plan (HSP)	28 May 2019	Yes
Air Quality Management Plan	28 May 2019	Yes
Disaster Management Plan	28 May 2019	Yes
Integrated Waste Management Plan	28 May 2019	Yes
Local Economic Development Plan	28 May 2019	Yes
Coastal Management Plan	28 May 2019	Yes
Tariff Policy	28 May 2019	Yes
Property Rates Policy	28 May 2019	Yes

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Policies developed/ revised	Date adopted	Public Participation Conducted Prior to adoption of policy Yes/No
Credit Control Policy	28 May 2019	Yes
Indigent Policy	28 May 2019	Yes
Supply Chain Management Policy	28 May 2019	Yes
Rental of caravan/camping sites and chalets in Matzikama	28 May 2019	Yes
Risk Management Policy	28 May 2019	No
Fraud prevention and Anti-corruption strategy	28 May 2019	No
Policy on the encashment of leave	28 May 2019	No

Table: 46 By-laws and Policies Developed/Reviewed

2.10 COMMUNICATION

Local government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of the Republic of South Africa Act 1996 and other statutory enactments all impose an obligation on local government communicators and require high levels of transparency, accountability, openness, participatory democracy and direct communication with the communities to improve the lives of all.

The communities, on the other hand, have a right and a responsibility to participate in local government affairs and decision-making and ample provision is made in the abovementioned legislation for them to exercise their right in this respect. Our democratic government is committed to the principle of *Batho Pele* and this, in simple terms, means that those we elect to represent us (councillors at the municipal level) and those who are employed to serve us (the municipal officials at municipal level) must always put people first in what they do.

South Africa has adopted a system of developmental local government, which addresses the inequalities, and backlogs of the past while ensuring that everyone has access to basic services, to opportunities and an improved quality of life.

To be successful, communications must focus on the issues that are shown to impact on the residents' perceptions, quality of service, value for money and efficiencies. They should ideally look to close the communication-consultation loop, i.e. tell people how they can have a say and demonstrate how those who have given their views have had a real impact.

Communication activities	Yes/No
Communication Strategy	Yes
Communication Policy	Yes
Functional complaint management systems	Yes
Customer satisfaction surveys	Yes

Table: 47 Communication Activities

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2.10.1 Communication Unit

Communication Unit	Yes/No	Number of people in the Unit	Job titles
	Yes	2	Public Relations Officer Intern

Table: 48 Communication Unit

2.10.2 Newsletters

Type of Newsletter	Number distributed	Date distributed
External	2	30 March 2019 30 June 2019

Table: 49 Newsletters

2.10.3 Communication Channels Utilised

Channel	Number of People Reached
Internal newspapers	Monthly (9)
Website	Daily
Facebook	Daily
Pamphlets	Monthly as needed

Table: 50 Communication Channels Utilised

2.10.4 Additional Communication Channels Utilised

Channel	Number of People Reached
Radio	50 000
Newspapers	50 000
Emails	500
Loud hailing	10 000
Public meetings	1 000
Campaigns	5 000

Table: 51 Additional Communication Channels Utilised

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2.11 WEBSITE

Municipalities are required to develop and maintain a functional website that displays relevant information as per the requirements of S75 of the MFMA and Section 21A and B of the MSA as amended.

The website should serve as a mechanism to promote accountability and transparency to communities and therefore information posted should be accurate and timeously updated.

The municipal website is a key communication mechanism in terms of service offering, information sharing and public participation. It is a communication tool that should allow easy and convenient access to relevant information. The municipal website should serve as an integral part of the municipality's communication strategy.

The table below gives an indication about the information and documents that are published on our website.

Description of information and/or document	Yes/No and/or Date Published
Municipal contact details (Section 14 of the Promotion of Access to Information Act)	
Full Council details	Yes
Contact details of the Municipal Manager	Yes
Contact details of the CFO	Yes
Physical address of the Municipality	Yes
Postal address of the Municipality	Yes
Financial Information (Sections 53, 75, 79 and 81(1) of the MFMA)	
Draft Budget 2018/19	Yes
Adjusted Budget 2018/19	Yes
Customer Care, Credit Control & Debt Collection Policy	Yes
Indigent Policy	Yes
Funds and Reserves Policy	Yes
Investment & Cash Management Policy	Yes
Rates Policy	Yes
Supply Chain Management Policy	Yes
Tariff Policy	Yes
Virement Policy	Yes
Travel and Subsistence Policy	Yes
Borrowing Policy	Yes
SDBIP 2018/19	Yes
Budget and Treasury Office Structure	Yes
Budget and Treasury Office delegations	Yes
IDP and Public Participation (Section 25(4)(b) of the MSA and Section 21(1)(b) of the MFMA)	
Reviewed IDP for 2018/19	Yes
IDP Process Plan for 2018/19	Yes

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Description of information and/or document	Yes/No and/or Date Published
Reports (Sections 52(d), 71, 72 & 75(1)(c) and 129(3) of the MFMA)	
Annual Report of 2017/18	Yes
Oversight reports	Yes
Mid-year budget and performance assessment	Yes
Quarterly reports	Yes
Local Economic Development (Section 26(c) of the MSA)	
Local Economic Development Strategy	Yes
Economic Profile	Yes
Performance Management (Section 75(1)(d) of the MFMA)	
Performance agreements for employees appointed as per S57 of Municipal Systems Act	Yes

Table: 52 Website Information

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CHAPTER 3

This chapter provides an overview of the key service achievements of the Municipality that came to fruition during 2018/19 in terms of the deliverables achieved compared to the key performance objectives and indicators in the Integrated Development Plan (IDP).






3.1 OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION

Performance management is a process which measures the implementation of the organisation's strategy. It is also a management tool to plan, monitor, measure and review performance indicators to ensure efficiency, effectiveness and the impact of service delivery by the Municipality.

At local government level performance management is institutionalised through the legislative requirements on the performance management process for Local Government. Performance management provides the mechanism to measure whether targets to meet its strategic goals, set by the organisation and its employees, are met.

3.1.1 Legislative Requirements

The Constitution of the RSA, Section 152, dealing with the objectives of local government paves the way for performance management with the requirements for an "accountable government". The democratic values and principles in terms of Section 195(1) are also linked with the concept of performance management, with reference to the principles of *inter alia*:

-  the promotion of efficient, economic and effective use of resources
-  accountable public administration
-  to be transparent by providing information
-  to be responsive to the needs of the community
-  to facilitate a culture of public service and accountability amongst staff

The Municipal Systems Act (MSA), 2000 requires municipalities to establish a performance management system. Further, the MSA and the Municipal Finance Management Act (MFMA) requires the IDP to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP).

In addition, Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that "A municipality's performance management system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players."

Performance management is not only relevant to the organisation, but also to the individuals employed in the organisation as well as the external service providers and the municipal entities. This framework, *inter alia*, reflects the linkage between the IDP, Budget, SDBIP and individual and service provider performance.

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In terms of Section 46(1)(a) of the MSA a municipality must prepare for each financial year a performance report reflecting the municipality's and any service provider's performance during the financial year, including comparison with targets of and with the performance of the previous financial year. The report must, furthermore, indicate the development and service delivery priorities and the performance targets set by the Municipality for the following financial year and measures that were or are to be taken to improve performance.

3.1.2 Organisational Performance

Strategic performance indicates how well the Municipality is meeting its objectives and whether policies and processes are working effectively. All government institutions must measure and report on their strategic performance to ensure that service delivery is done in an efficient, effective and economical manner. Municipalities must therefore develop strategic plans and allocate resources for the implementation. The implementation of the plans must be monitored on an on-going basis and the results must be reported on during the financial year to various role-players to enable them to timeously implement corrective measures where required.

This report highlights the strategic performance in terms of the Municipality's Top Layer SDBIP, high level performance in terms of the strategic objectives and performance on the National Key Performance Indicators as prescribed in terms of Section 43 of the MSA.

3.1.3 Performance Management System

a) The IDP and the Budget

The IDP and the main budget for 2018/19 was approved by Council on 30 May 2018. As the IDP process and the performance management process are integrated, the IDP fulfils the planning stage of performance management whilst performance management in turn, fulfils the implementation management, monitoring and evaluation of the IDP.

In terms of the performance management framework, the Mayor approved the Top Layer SDBIP on 22 June 2018. The Top Layer SDBIP indicators are aligned with the budget which was prepared in terms of the reviewed IDP. The key performance indicators (KPI's) in the Top Layer SDBIP include indicators required by legislation, indicators that will assist to achieve the objectives adopted in the IDP and indicators that measure service delivery responsibilities.




The actual performance achieved in terms of the KPI's was reported on quarterly. The indicators and targets were adjusted after the finalisation of the previous year budget and mid-year budget assessment. The Top Layer SDBIP was revised with the adjustments budget in terms of Section 26(2)(c) of the Municipal Budget and Reporting Regulations.

The performance agreements of the senior managers were compiled and revised in terms of the SDBIP indicators and the portfolio of evidence that support the actual targets reported.

c) Actual Performance

The Municipality utilise an electronic web-based system on which KPI owners update actual performance on a monthly basis. KPI owners report on the results of the KPI by documenting the following information on the performance system:



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-  The actual result in terms of the target set
-  All performance comments
-  Actions to improve the performance in alignment with the designated target, if the target was not achieved

It is the responsibility of every KPI owner to maintain a portfolio of evidence to support actual performance results.




3.1.4 Monitoring of the Service Delivery Budget Implementation Plan

Municipal performance was measured in the following way:

-  Quarterly reports were submitted to Council concerning the actual performance in terms of the Top Layer SDBIP
-  The mid-year assessment was completed along with the submission of the mid-year report to the Mayor in terms of Sections 72(1)(a) and 52(d) of the MFMA in order to assess the performance of the Municipality during the first half of the financial year.

a) Organisational Performance

The organisational performance is monitored and evaluated via the SDBIP and the performance process can be summarised as follows:





-  The Mayor approved the Top Layer SDBIP on 22 June 2018 and the information was loaded on the electronic web-based system
-  The web-based system routinely sent automated e-mails to the users of the system as a reminder to all staff responsible for updating their actual performance against KPIs targets
-  The performance agreements of the senior managers are aligned with the approved Top Layer SDBIP

b) Municipal Manager and Managers Directly Accountable to the Municipal Manager

The MSA prescribes that the Municipality must enter into performance-based agreements with the all Section 57-employees and that performance agreements must be reviewed annually. This process and the format are further regulated by Regulation 805 (August 2006). The performance agreements for the Municipal Manager and applicable directors for the 2018/19 financial year were signed in July 2018.

The formal appraisal of the actual performance takes place twice per annum as regulated. The final evaluation of the 2017/18 financial year (1 January 2018 to 30 June 2018) took place on 24 October 2018 and the mid-year performance of 2018/19 (1 July 2018 to 31 December 2018) took place on 5 March 2019.

The appraisals were done by an evaluation panel as indicated in the signed performance agreements and in terms of Regulation 805 and consisted of the following people:

-  Mayor
-  Portfolio Councillor
-  Municipal Manager
-  Chairperson of the Audit Committee

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External Municipal Manager

3.2 INTRODUCTION TO STRATEGIC AND MUNICIPAL PERFORMANCE FOR 2018/19

This section provides an overview of the key service achievements of the Municipality that came to fruition during 2018/19 in terms of the deliverables achieved against the strategic objectives of the IDP

3.2.1 Strategic Service Delivery Budget Implementation Plan (Top Layer)

This section provides an overview on the achievement of the Municipality in terms of the strategic intent and deliverables achieved as stated in the IDP. The Top Layer SDBIP assists with documenting and monitoring of the Municipality's strategic plan and shows the strategic alignment between the IDP, budget and performance plans.

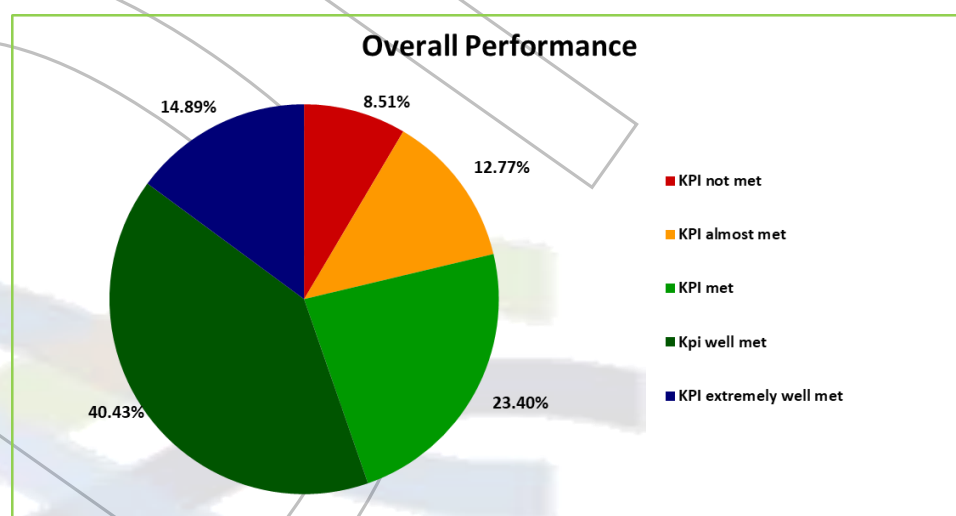
In the paragraphs below the performance achieved is illustrated against the Top Layer SDBIP KPI's applicable to 2018/19 in terms of the IDP strategic objectives.

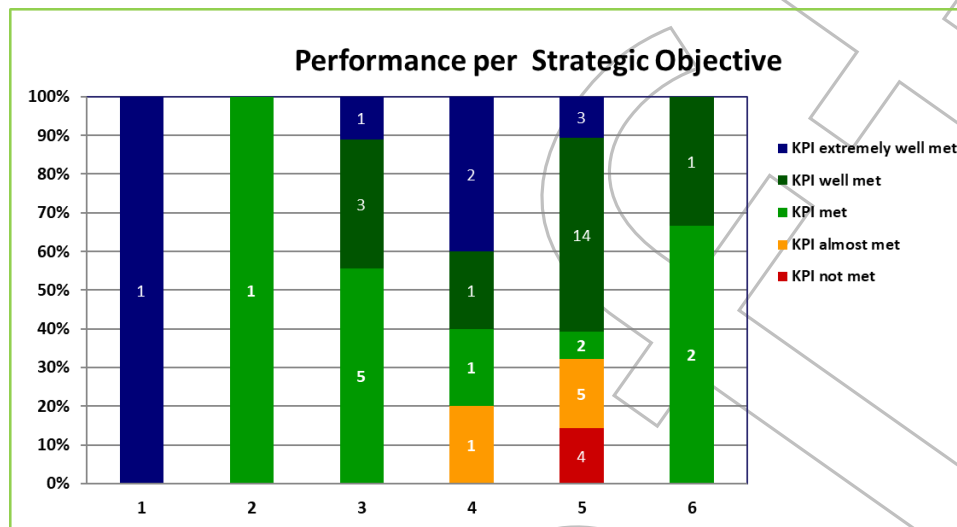
The following table explains the method by which the overall assessment of the actual performance against the targets set for the key performance indicators (KPI's) of the SDBIP are measured:

Category	Colour	Explanation
KPI Not Met	R	0% > = Actual/Target < 75%
KPI Almost Met	O	75% > = Actual/Target < 100%
KPI Met	G	Actual/Target = 100%
KPI Well Met	G2	100% > Actual/Target < 150%
KPI Extremely Well Met	B	Actual/Target > = 150%

Figure 1: SDBIP Measurement Criteria

The overall performance results achieved by the Municipality in terms of the Top Layer SDBIP are indicated in the tables and graphs below:





Graph 1: Top Layer SDBIP per Strategic Objective

Measurement Category	Objective 1 Coordinate, facilitate and stimulate sustainable economic development through strategy, policy and programme development	Objective 2 Develop and sustain our spatial, natural and built environment	Objective 3 Maintain sufficient organizational resources, enhance the involvement of the public in the development and decision-making processes and provide ethical and professional services to support the needs of the communities	Objective 4 Maintain sufficient revenue resources to enable the municipality to meet its constitutional obligations	Objective 5 Provide municipal basic services to meet demands of growing population and development challenges	Objective 6 Provide opportunities to officials and councillors for the development of professional and leadership skills and enhance employment equity in the organisation
KPI Not Met	0	0	0	0	4	0
KPI Almost Met	0	0	0	1	5	0
KPI Met	0	1	5	1	2	2
KPI Well Met	0	0	3	1	14	1
KPI Extremely Well Met	1	0	1	2	3	0
Total	1	1	9	5	28	3

Table: 54 Top Layer SDBIP per Strategic Objective

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a) **Actual strategic performance for 2018/19 per strategic objective and corrective measures that will be implemented**

i) **Coordinate, facilitate and stimulate sustainable economic development through strategy, policy and programmes development**

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2017/18	Overall Performance 2018/19						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL10	Create temporary jobs opportunities through EPWP projects by 30 June 2019	Number of temporary job opportunities created by 30 June 2019	All	235	0	60	0	90	150	357	B

Table: 55 Coordinate, facilitate and stimulate sustainable economic development through strategy, policy and programme development

ii) **Develop and sustain our spatial, natural and built environment**

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2017/18	Overall Performance 2018/19						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL29	Submit the reviewed Disaster Management Plan to Council by 31 March 2019	Reviewed Disaster Management Plan submitted to Council by 31 March 2019	All	1	0	0	1	0	1	1	G

Table: 56 Develop and sustain our spatial, natural and built environment

iii) **Maintain sufficient organisational resources, enhance the involvement of the public in the development and decision-making processes and provide ethical and professional services to support the needs of the communities**

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2017/18	Overall Performance 2018/19						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL16	Submit the Annual Performance Report in terms of Section 46 of the Municipal Systems Act to the Auditor-General by 31 August 2018	Report submitted to the Auditor-General by 31 August 2018	All	1	1	0	0	0	1	1	G
TL17	Submit the Draft Annual Report to Council by 31 January 2019	Draft report submitted to council by 31 January 2019	All	1	0	0	1	0	1	1	G
TL18	Draft the concept reviewed IDP and submit the to Council by 31 March 2019	Reviewed draft IDP submitted to Council by 31 March 2019	All	1	0	0	1	0	1	1	G
TL22	Compile the Risk based Audit Plan (RBAP) for 2019/20 and submit to	RBAP submitted to the Audit Committee by 30 June 2019	All	1	0	0	0	1	1	1	G

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Ref	KPI	Unit of Measurement	Ward	Actual performance for 2017/18	Overall Performance 2018/19						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
	the Audit Committee by 30 June 2019										
TL23	Complete planned audits in terms of the Risk Based Audit plan by 30 June 2019 {(Planned audits completed divided by the audits planned for the financial year)x100}	% of planned audits completed by 30 June 2019	All	83%	10%	30%	50%	80%	80%	81.52%	G2
TL26	Draft the final reviewed IDP and submit to Council by 31 May 2019	Final reviewed IDP submitted by 31 May 2019.	All	1	0	0	0	1	1	1	G
TL27	Limit the vacancy rate to less than 10% of budgeted posts by 30 June 2019 {(Actual approved budgeted vacant positions / total budgeted approved posts)x100}	% Vacancy rate by 30 June 2019{(Actual approved budgeted vacant positions / total budgeted approved posts)x100}	All	7%	0%	0%	0%	10%	10%	7.76%	B
TL32	Spend 90% of the budget allocated for the Upgrading of the Municipal Head Office by 30 June 2019 [(Actual expenditure divided by the total approved project budget)x100]	% of project budget spent	All	New key performance indicator for 2018/19	0%	30%	60%	90%	90%	92.45%	G2
TL33	Spend 90% of the budget allocated for the Modular Library in Koekenaap by 30 June 2019 [(Actual expenditure divided by the total approved project budget)x100]	% of project budget spent	8	New key performance indicator for 2018/19	0%	30%	60%	90%	90%	100%	G2

Table: 57 Maintain sufficient organisational resources, enhance the involvement of the public in the development and decision-making processes and provide ethical and professional services to support the needs of the communities

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iv) Maintain sufficient revenue sources to enable the municipality to meet its constitutional obligations

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2017/18	Overall Performance 2018/19						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL13	Financial viability measured in terms of the municipality's ability to meet its service debt obligations as at 30 June 2019 ((Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant))	% of debt coverage	All	37.87%	0%	0%	0%	24%	24%	9%	B
TL14	Financial viability measured in terms of the outstanding service debtors as at 30 June 2019 (Total outstanding service debtors/ revenue received for services)	% of outstanding service debtors	All	39.33%	0%	0%	0%	45%	45%	37.47%	O
Corrective action		The Municipality will ensure strict implementation of the Credit Control Policy and design a revenue enhancement strategy for implementation									
TL15	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2019 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))	Number of months it takes to cover fixed operating expenditure with available cash	All	1.14	0	0	0	0.2	0.2	0.35	B
TL24	Achieve a debtor's payment percentage of 88% at 30 June 2019 (Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off / Billed Revenue x 100)	Payment % achieved at 30 June 2019	All	89.75%	0%	0%	0%	88%	88%	94.31%	G2
TL25	Submit the Annual Financial Statements for 2017/18 by 31 August 2018 to the Office of the Auditor-General	Financial statements submitted by 31 August 2018 to the Office of the Auditor-General	All	1	1	0	0	0	1	1	G

Table: 58 Maintain sufficient revenue sources to enable the municipality to meet its constitutional obligations

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v) *Provide municipal basic services to meet demands of growing population and development challenges*

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2017/18	Overall Performance 2018/19						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL1	Number of formal residential properties which are billed for water or have prepaid meters that is connected to the municipal water infrastructure network as at 30 June 2019	Number of residential properties which are billed for water or have pre paid meters as at 30 June 2019	All	9,189	0	0	0	9,145	9,145	9,491	G2
TL2	Number of formal residential properties which are billed for electricity or have prepaid meters as at 30 June 2019 (excluding Eskom areas)	Number of residential properties which are billed for electricity or have pre paid meters as at 30 June 2019 (Excluding Eskom areas)	All	9,771	0	0	0	9,771	9,771	10,173	G2
TL3	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) which are billed for sewerage as at 30 June 2019	Number of residential properties which are billed for sewerage as at 30 June 2019	All	8,600	0	0	0	8,612	8,612	8,738	G2
TL4	Number of formal residential properties which are billed for refuse removal as at 30 June 2019	Number of residential properties which are billed for refuse removal as at 30 June 2019	All	10,035	0	0	0	10,035	10,035	10,339	G2
TL5	Provide free basic water to indigent households earning less than R4800 as at 30 June 2019	Number of households receiving free basic water as at 30 June 2019	All	1,674	0	0	0	1,351	1,351	3,071	B
TL6	Provide free basic electricity to indigent households earning less than R4800 as at 30 June 2019	Number of households receiving free basic electricity as at 30 June 2019	All	623	0	0	0	535	535	3,291	B
TL7	Provide free basic sanitation to indigent households earning less than R4800 as at 30 June 2019	Number of households receiving free basic sanitation as at 30 June 2019	All	2,824	0	0	0	2,516	2,516	3,084	G2
TL8	Provide free basic refuse removal to indigent households earning less than R4800 as at 30 June 2019	Number of households receiving free basic refuse removal as at 30 June 2019	All	3,013	0	0	0	2,698	2,698	3,323	G2

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Ref	KPI	Unit of Measurement	Ward	Actual performance for 2017/18	Overall Performance 2018/19						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL9	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2019 {(Actual amount spent on projects / Total amount budgeted for capital projects)X100}	% of the municipal budget spent by 30 June 2019	All	69%	0%	30%	60%	90%	90%	72.52%	O
Corrective action		The underspending relates to drought relief grant funding equipment that had to be imported - the Municipality will apply for a roll-over of the grant to ensure that all the funds are spent									
TL19	Limit unaccounted for electricity to less than 12% by 30 June 2019 {(Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or Generated) x 100}	% unaccounted electricity at 30 June 2019 {(Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or Generated) _ 100}	All	13.19%	0%	0%	0%	12%	12%	13.23%	R
Corrective action		Illegal electricity cables in Polla Park Mangaung have not been removed and also contributed to the electricity losses calculated for the year. Council took a decision to have the Polla Park area electrified and to then have the illegal cables removed. We don't have sufficient budget for such a project and are thus looking at various options									
TL20	Limit unaccounted for water to less than 15% by 30 June 2019 {(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified x 100}	% unaccounted water at 30 June 2019 {(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified _ 100}	All	10%	0%	0%	0%	15%	15%	4.60%	B
TL21	95% of water samples comply with SANS241 micro biological indicators {(Number of water samples that comply with SANS21 indicators/Number of water samples tested)x100}	% of water samples compliant	All	99.19%	95%	95%	95%	95%	95%	99%	G2
TL30	90% of the parks and recreation maintenance budget spent by 30 June 2019 ((Actual expenditure on maintenance / total approved budget for maintenance)x100)	% of maintenance budget spent by 30 June 2019	All	73%	0%	30%	0%	90%	90%	61.72%	R
Corrective action		Possible grey water arrangements need to be put in place for the future									
TL31	90% of the waste removal maintenance budget spent by 30	% of maintenance budget spent by 30 June 2019	All	100%	0%	30%	0%	90%	90%	82%	O

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Ref	KPI	Unit of Measurement	Ward	Actual performance for 2017/18	Overall Performance 2018/19						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
	June 2019 ((Actual expenditure on maintenance divided by the total approved budget for maintenance)x100)										
Corrective action		Cost containment measures were implemented as the sale of immovable assets did not materialise as planned. Spending will be closely managed and if necessary, the target will be adjusted during the next planning cycle									
TL34	90% of the water maintenance budget spent by 30 June 2019 ((Actual expenditure on maintenance divided by the total approved budget for maintenance)x100)	% of maintenance budget spent by 30 June 2019	All	New key performance indicator for 2018/19	0%	30%	0%	90%	90%	78.28%	O
Corrective action		Cost containment measures were implemented as the sale of immovable assets did not materialise as planned. Spending will be closely managed and if necessary, the target will be adjusted during the next planning cycle									
TL35	90% of the electricity maintenance budget spent by 30 June 2019 ((Actual expenditure on maintenance divided by the total approved budget for maintenance)x100)	% of maintenance budget spent by 30 June 2019	All	New key performance indicator for 2018/19	0%	30%	0%	90%	90%	86.64%	O
Corrective action		Cost containment measures were implemented as the sale of immovable assets did not materialise as planned. Spending will be closely managed and if necessary, the target will be adjusted during the next planning cycle									
TL36	90% of the waste water maintenance budget spent by 30 June 2019 ((Actual expenditure on maintenance divided by the total approved budget for maintenance)x100)	% of maintenance budget spent by 30 June 2019	All	New key performance indicator for 2018/19	0%	30%	0%	90%	90%	94.71%	G2
TL37	Purchase 6 vehicles (Cherry Picker, 2 Digger Loaders, Digger Loader 4x4, Sewerage Truck and Refuse Truck) by 30 June 2019	Number of vehicles purchased	All	New key performance indicator for 2018/19	0	0	0	6	6	6	G
TL38	Spend 90% of the budget allocated for the paving of gravel roads in Lutzville by 30 June 2019 [(Actual expenditure divided by the total approved project budget)x100]	% of project budget spent	1	New key performance indicator for 2018/19	0%	30%	60%	90%	90%	100%	G2
TL39	Spend 90% of the budget allocated for the upgrading of gravel roads in Nuwerus (Phase 1) by 30 June	% of project budget spent	8	New key performance indicator for 2018/19	0%	30%	60%	90%	90%	100%	G2

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Ref	KPI	Unit of Measurement	Ward	Actual performance for 2017/18	Overall Performance 2018/19						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
	2019 [(Actual expenditure divided by the total approved project budget)x100]										
TL40	Spend 90% of the budget allocated for the upgrading of gravel road in Hopland, Maskamsig in Vanrhynsdorp by 30 June 2019 [(Actual expenditure divided by the total approved project budget)x100]	% of project budget spent	7	New key performance indicator for 2018/19	0%	30%	60%	90%	90%	100%	G2
TL41	Spend 90% of the budget allocated for the paving of roads for the Vredendal Bus Route 30 June 2019 [(Actual expenditure divided by the total approved project budget)x100]	% of project budget spent	3	New key performance indicator for 2018/19	0%	30%	60%	90%	90%	100%	G2
TL42	Spend 90% of the budget allocated for the new roads and stormwater in Kliprand by 30 June 2019 [(Actual expenditure divided by the total approved project budget)x100]	% of project budget spent	8	New key performance indicator for 2018/19	0%	30%	60%	90%	90%	97.60%	G2
TL43	Spend 90% of the budget allocated for the refurbishment of the Bitterfontein scheme by 30 June 2019 [(Actual expenditure divided by the total approved project budget)x100]	% of project budget spent	8	New key performance indicator for 2018/19	0%	30%	60%	90%	90%	69.01%	O
Corrective action		WSIG funding was not spent 100% as the contractor was faced with various challenges and as a result, could not complete the project on time, thus failing to spend 100% of the available funding. The project is fully committed and a rollover application has already been submitted to ensure the funds are spent 100%									
TL45	Spend 90% of the budget allocated for the Upgrading of the Ebenhaeser Water Treatment Works [(Actual expenditure divided by the total approved project budget)x100]	% of project budget spent	2	New key performance indicator for 2018/19	0%	30%	60%	90%	90%	10.95%	R
Corrective action		The underspending relates to drought relief funds grant funding - the project is fully committed and the Municipality already applied for a rollover of the funds to ensure that all the funds are spent									
TL46	Spend 90% of the budget allocated for Construction of Boreholes Ebenhaeser [(Actual expenditure divided by the total approved project budget)x100]	% of project budget spent	2	New key performance indicator for 2018/19	0%	30%	60%	90%	90%	3.05%	R

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Ref	KPI	Unit of Measurement	Ward	Actual performance for 2017/18	Overall Performance 2018/19						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
Corrective action		The underspending relates to drought relief funds grant funding - the project is fully committed and the Municipality already applied for a rollover of the funds to ensure that all the funds are spent									
TL47	Spend 90% of the budget allocated for Upgrading of Bulk Electricity in Vredendal North by 30 June 2019 [(Actual expenditure divided by the total approved project budget)x100]	% of project budget spent	3	New key performance indicator for 2018/19	0%	30%	60%	90%	90%	100%	G2
TL48	Complete the Lutzville-West small steel pavillion by 30 June 2019	Completion Certificate	1	New key performance indicator for 2018/19	0	0	0	1	1	1	G

Table: 59 Provide municipal basic services to meet demands of growing population and development challenges

vi) *Provide opportunities to officials and councillors for the development of professional and leadership skills and enhance employment equity in the organisation*




Ref	KPI	Unit of Measurement	Ward	Actual performance for 2017/18	Overall Performance 2018/19						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL11	Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan as at 30 June 2019	Number of people employed in the three highest levels of management as at 30 June 2019	All	1	0	0	0	1	1	1	G
TL12	The percentage of the municipality's personnel budget actually spent on implementing its workplace skills plan by 30 June 2019 [(Actual amount spent on training/total personnel budget)x100]	% of personnel budget actually spent on implementing its workplace skills plan by 30 June 2019 [(Actual amount spent on training/total personnel budget)x100]	All	0.50%	0%	0%	0%	0.40%	0.40%	0.60%	G2
TL28	Submit the Workplace Skills Plan to Local Government SETA by 31 May 2019	Work Skills Plan submitted to LGSETA by 31 May 2019	All	1	0	0	0	1	1	1	G

Table: 60 Provide opportunities to officials and councillors for the development of professional and leadership skills and enhance employment equity in the organisation

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3.2.2 Service Providers Performance

Section 76(b) of the MSA states that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement. A service provider:

-  means a person or institution or any combination of persons and institutions which provide a municipal service to or for the benefit of the local community
-  means an external mechanism referred to in Section 76(b) which provides a municipal service for a municipality
-  service delivery agreement means an agreement between a municipality and an institution or person mentioned in Section 76(b) in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality

During the year under review the Municipality did not appoint any service providers who provided a municipal service to or for the benefit of the local community on behalf of the Municipality and therefore this report contains no such details. All other contract appointments are regularly monitored and ensured, that the requirements of the contract are complied with.

3.2.3 Municipal Functions

a) Analysis of Functions

The table below indicates the functional areas that the municipality are responsible for in terms of the Constitution:

Municipal Function	Municipal Function (Yes/ No)
Constitution Schedule 4, Part B functions:	
Air pollution	MOU with WCDM
Building regulations	Yes
Childcare facilities	Yes
Electricity and gas reticulation	Yes
Fire Fighting services	MOU with WCDM
Local tourism	Yes
Municipal airports	Yes
Municipal planning	Yes
Municipal health services	No
Municipal public transport	Yes
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	Yes
Stormwater management systems in built-up areas	Yes
Trading regulations	Yes

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Municipal Function	Municipal Function (Yes/ No)
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes
Constitution Schedule 5, Part B functions:	
Beaches and amusement facilities	Yes
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation, care and burial of animals	Yes
Fencing and fences	Yes
Licensing of dogs	Yes
Licensing and control of undertakings that sell food to the public	Yes
Local amenities	Yes
Local sport facilities	Yes
Markets	Yes
Municipal abattoirs	Yes
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	Yes
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes

Table: 61 *Functional Areas*

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COMPONENT A: BASIC SERVICES

This component includes basic service delivery highlights and challenges, includes details of services provided for water, waste water (sanitation), electricity, waste management, housing services and a summary of free basic services.

National Key Performance Indicators – Basic Service Delivery

The following table indicates the Municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance-Management Regulations of 2001 and Section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area: Basic Service Delivery.

KPA and Indicators	2017/18	2018/19
Basic Service Delivery		
Provide free basic water to indigent households earning less than R4 800 as at 30 June 2019	1 674	3 071
Provide free basic electricity to indigent households earning less than R4 800 as at 30 June 2019	623	3 291
Provide free basic sanitation to indigent households earning less than R4 800 as at 30 June 2019	2 824	3 084
Provide free basic refuse removal to indigent households earning less than R4 800 as at 30 June 2019	3 031	3 323
Number of formal residential properties which are billed for water or have prepaid meters that is connected to the municipal water infrastructure network as at 30 June 2019	9 189	9 491
Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) which are billed for sewerage as at 30 June 2019	8 600	8 738
Number of formal residential properties which are billed for electricity or have prepaid meters as at 30 June 2019 (excluding Eskom areas)	9 771	10 173
Number of formal residential properties which are billed for refuse removal as at 30 June 2019	10 035	10 339

Table: 62 National KPIs – Basic Service Delivery

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3.3 WATER PROVISION

3.3.1 Introduction to Water Services

Matzikama Municipality, alongside the entire Western Cape experienced the worst drought, in 100 years. A local state of disaster was declared in July 2018. The Clanwilliam Dam, which is the main source of water for Matzikama, reached a record low water level of only 4%. Sustainable water supply was thus the main challenge and subsequently the primary focus for the entire duration of the financial year.

Funding was sourced and secured for the drilling and equipping of boreholes, thus decreasing the dependency on the Clanwilliam Dam as the main source of water supply to the Matzikama towns.

Provision of bulk infrastructure also remains a priority for future development together with maintenance of existing infrastructure.

Potable water is supplied to all existing consumers and there are no basic water and sanitation service backlogs in the municipal urban area. It is a given that there might be households on the farms, in the rural areas, with existing service levels below the Reconstruction and Development Programme (RDP) standard.

The low-cost housing developments and the rapid expansion of towns puts enormous pressure on the limited resources of the Municipality and effective and efficient service delivery is thus a challenge.

3.3.2 Highlights: Water Services

The table below specifies the highlights for the year:

Highlights	Description
Kliprand - Desalination plant	A new desalination plant was built and the water complies with the SANS 241 standards in all limits
Bitterfontein- Refurbish of desalination plant	The desalination plant was fully refurbished and optimised as well as offices at the plant
Bitterfontein and Nuwerus- New reservoirs	New reservoirs were built in these 2 towns to ensure sufficient capacity in emergencies as well as to accommodate any new development
Koekenaap- New raw water dam	A new steel raw water dam was built to assist during off periods when canal is maintained

Table: 63 Water Services Highlights

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3.3.3 Challenges: Water Services

The table below specifies the challenges for the year:

Description	Actions to address
Due to the current drought conditions, the canal running times are too brief to fill raw water dams	In order to address this issue, the raw water storage capacity must be increased in the following towns: Vredendal, Klawer, Lutzville-West
Ageing infrastructure	Funding applications must be submitted to secure funding to upgrade the water infrastructure in all towns
The lack of a material store to collect material for emergencies, causes delays as material must be procured through the supply chain procedures	The establishment of municipal store must be investigated

Table: 64 Water Services Challenges

3.3.4 Service Delivery Levels: Water Services

Economic activities in the municipal area include agriculture, processing of agricultural products, mining, fishing and tourism. Water supply by the Municipality is driven primarily by domestic water demand and business and industrial consumers in the towns. Vredendal is by far the largest town in the area and is also centrally located, rendering it the logical economic and administrative centre. Vanrhynsdorp, Klawer and Lutzville could be regarded as secondary towns with established business districts. Addressing the housing backlog in the municipal area is the main driver of increasing water demand.

The table below indicate the water use by sector:

Total Use of Water by Sector (kl)				
Year	Agriculture	Forestry	Industrial	Domestic
2017/18	0	0	564 762	1 784 966
2018/19	0	0	357 534	1 548 072

Table: 65 Total Use of Water by Sector

The table below specifies the different water service delivery levels per households for the financial years 2017/18 and 2018/19:

Number of Households		
Description	2017/18	2018/19
<u>Water: (above min level)</u>		
Piped water inside dwelling	7 976	8 002
Piped water inside yard (but not in dwelling)	1 213	1 489
Using public tap (within 200m from dwelling)	0	0
Other water supply (within 200m)	0	0
Minimum Service Level and Above sub-total	9 189	9 491
Minimum Service Level and Above Percentage	100	100

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Number of Households		
Description	2017/18	2018/19
Water: (below min level)		
Using public tap (more than 200m from dwelling)	0	0
Other water supply (more than 200m from dwelling)	0	0
No water supply	0	0
Below Minimum Service Level sub-total	0	0
Below Minimum Service Level Percentage	0	0
Total number of households	9 189	9 491

Table: 66 Water Services Service Delivery Levels

Potable water is supplied to all existing consumers and there are no basic water and sanitation service backlogs in the urban areas of the Municipality. All the formal households in the urban areas are provided with water connections and waterborne sanitation facilities inside the houses (higher level of service). Communal ablution facilities are provided in the informal areas as a temporary emergency service.

The Municipality works towards providing all households with a water connection inside the house and connecting all households to a waterborne sanitation system. The Municipality is faced with various challenges with regard to the provision of services on privately owned land in a financial sustainable manner.

3.3.5 Employees: Water Services and Waste Water (Sanitation) Services

The following table indicates the staff composition for this division:

Job Level	2018/19			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	4	2	2	50
4 - 6	31	31	0	0
7 - 9	6	4	2	33
10 - 12	6	2	4	67
13 - 15	1	1	0	0
Total	48	40	8	17

Employees and Posts numbers are as at 30 June

Table: 67 Employees: Water Services and Waste Water (Sanitation) Services

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3.3.6 Capital: Water Services

The following table indicates the capital expenditure for this division:

Capital Projects	2018/19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Office equipment	0	831	830	100%	830
Bitterfontein: Refurbishment of Bitterfontein scheme	10 000 000	10 000 000	6 901 295	31%	6 901 295
Pumps Matzikama Towns	500 000	0	0	100%	0
Upgrade Ebenhaeser WTW	3 688 708	7 044 915	771 650	100%	771 650
Construction of boreholes Vredendal	0	1 281 041	1 163 063	100%	1 163 063
Construction of boreholes Ebenhaeser and RO Plant Strandfontein	0	2 956 147	90 203	100%	90 203
Koekenaap: Drilling equipping 3 boreholes	0	2 022 466	464 077	100%	464 077
Strandfontein: Re-equipping of 2 existing boreholes	0	868 306	956 704	100%	956 704
Vredendal: Drilling equipping of boreholes -Area 1	0	2 000 000	2 123 912	100%	2 123 912
Vredendal: Drilling equipping of boreholes - Area 2	0	2 187 000	701 632	100%	701 632
Upgrading of Koekenaap bulk water infrastructure	5 000 000	5 000 000	1 665 281	(67%)	1 665 281
Valves	0	27 502	0	100%	0
Investigation and replacement of bulk water meters	321 000	0	0	(100%)	0
Hand radios	0	17 000	0	100%	0
Replace aerator at Vredendal South WWTW	0	200 000	189 792	100%	189 792
Total	19 509 708	33 605 208	15 028 441	(23%)	15 028 441

Table: 68 Capital Expenditure 2018/19: Water Services

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3.4 WASTE WATER (SANITATION) PROVISION

3.4.1 Introduction to Waste Water (Sanitation) Provision

Provision of bulk infrastructure still remains a priority for future development, together with maintenance of existing infrastructure.

Sanitation services are supplied to all existing consumers and there are no basic sanitation service backlogs in the urban areas of the Municipality. It is a given that there might be households on the farms in the rural areas with existing service levels below RDP standard. It must be mentioned that the low-cost housing developments and the rapid expansion of towns, puts enormous pressure on the limited resources of the Municipality and effective and efficient service delivery is thus a challenge.

3.4.2 Highlights: Waste Water (Sanitation) Provision

The table below specifies the highlights for the year:

Highlights	Description
New irrigation for Lutzville West	Final treated effluent irrigation system used for newly build sports field
Fencing of waste water treatment works (WWTW)	The WWTW in Nuwerus, Bitterfontein and Rietpoort were fenced off
On-going training of staff	Staff at WWTW are receiving further training in waste water treatment to improve on skills and assist with the efficient operation of plants

Table: 69 Waste Water (Sanitation) Provision Highlights

3.4.3 Challenges: Waste Water (Sanitation) Provision

The table below specifies the challenges for the year:

Description	Actions to address
Vredendal South WWTW operating above capacity	Vredendal South WWTW needs to be upgraded and a business plan has been completed in order to secure funding
Overflowing oxidation ponds in Koekenaap, Ebenhaeser, Strandfontein and Doring Bay	Funding is required to implement an irrigation facility. The Koekenaap facility is already in tender phase. Business plans for Ebenhaeser and Doring Bay facilities have been completed and are pending funding
Maintenance of sewer pump stations	Funding must be secured for the upgrade of sewer pump stations and to provide training to personnel. A consultant is currently busy with a study to address this issue. A tender for the maintenance of pumps is in progress
Chlorination of Lutzville water bulk infrastructure	The old dosing system does not allow for chlorine to be evenly distributed in water network although the minimum and maximum limits are being adhered to

Table: 70 Waste Water (Sanitation) Provision Challenges

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3.4.4 Services Delivery Levels: Waste Water (Sanitation) Provision

The table below specifies the different sanitation service delivery levels per households for the financial years 2017/18 and 2018/19 in the areas in which the Municipality is responsible for the delivery of the service:

Number of Households		
Description	2017/18	2018/19
Sanitation/sewerage: (above minimum level)		
Flush toilet (connected to sewerage)	8 470	8 738
Flush toilet (with septic tank)	130	512
Chemical toilet	0	0
Pit toilet (ventilated)	0	0
Other toilet provisions (above min. service level)	0	0
Minimum Service Level and Above sub-total	8 600	9 250
Minimum Service Level and Above Percentage	100	100
Sanitation/sewerage: (below minimum level)		
Bucket toilet	0	0
Other toilet provisions (below min. service level)	0	0
No toilet provisions	0	0
Below Minimum Service Level sub-total	0	0
Below Minimum Service Level Percentage	0	0
Total households	8 600	9 250

Table: 71 Waste Water (Sanitation) Provision Service Delivery Levels

3.4.5 Capital: Waste Water (Sanitation) Provision

The following table indicates the capital expenditure for this division:

Capital Projects	2018/19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Sewerage Pumps Matzikama Towns	500 000	869 981	168 916	(66%)	168 916
Sewerage truck	1 200 000	1 631 099	1 631 098	36%	1 631 098
Plants (equipment)	80 000	80 000	75 371	(6%)	75 371
Washing machines: sewerage works	12 000	8 609	8 609	(28%)	8 609
Telemetry for pumpstations	100 000	0	0	(100%)	0
Mobile ablution units	0	550 051	550 051	100%	550 051
Lutzville: upgrade of sewerage network for housing project	0	410 792	410 792	100%	410 792

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Capital Projects	2018/19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total	1 892 000	3 550 532	2 844 836	50%	2 844 836

Table: 72 Capital Expenditure 2018/19: Waste Water (Sanitation) Provision

3.5 ELECTRICITY

3.5.1 Introduction to Electricity

Local Government holds executive authority over electricity reticulation in accordance with the Constitution. Furthermore, the Electricity Regulating Act makes provision for the establishment of the National Energy Regulator that sets specific standards and guidelines concerning the distribution of Electricity Distribution Licenses. This places a responsibility on municipalities to ensure the provision of electricity services to communities in a sustainable manner for economic and social support.

The Municipality strives to deliver to a quality and reliable electricity supply as stipulated in national legislation. Supply voltage is kept to 230V ($\pm 10\%$) for single phase supplies and 400V ($\pm 10\%$) for three phase supplies.

The Municipality closely monitors illegal connection and meter tampering and faulty meters are continuously replaced after verification.

The maintenance of the electricity network in the ESKOM supplied areas is still a major challenge, but is currently being looked at.

3.5.2 Highlights: Electricity

The table below specifies the highlights for the year:

Highlights	Description
Upgrade of high voltage lines in Vredendal	The upgrade of high voltage lines was completed in-house which resulted in cost savings
New bulk connections	New bulk installations were completed in-house which resulted in cost savings
Installation of streetlights	The installation of 150 new streetlights, in dark areas, were completed by the Municipality

Table: 73 Electricity Highlights

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3.5.3 Challenges: Electricity

The table below specifies the challenges for the year:

Description	Actions to address
Electricity losses	The Municipality must conduct meter audits, upgrade bulk meters, monitor usage and replace faulty meters
Illegal connections and meter tampering	The Municipality needs to introduce smart metering/ split meters and monitor usage more carefully
Installation of Small-Scale Embedded Generation (SSEG)	Requirements for SSEG By-law must be developed

Table: 74 Electricity Challenges

3.5.4 Service Delivery Levels: Electricity

The table below specifies the different electricity service delivery levels per households for the financial years 2017/18 and 2018/19

Number of Households		
Description	2017/18	2018/19
Energy: (above minimum level)		
Electricity (at least min.service level)	1 150	1 014
Electricity - prepaid (min.service level)	8 621	9 159
Minimum Service Level and Above sub-total	9 771	10 173
Minimum Service Level and Above Percentage	100	100
Energy: (below minimum level)		
Electricity (< min.service level)	0	0
Electricity - prepaid (< min. service level)	0	0
Other energy sources	0	0
Below Minimum Service Level sub-total	0	0
Below Minimum Service Level Percentage	0	0
Total number of households	9 771	10 173

Table: 75 Electricity Service Delivery Levels

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3.5.5 Employees: Electricity

The following table indicates the staff composition for this division:

Job Level	2018/19			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 – 3	0	0	0	0
4 – 6	14	14	0	0
7 – 9	3	3	0	0
10 – 12	4	4	0	0
13 – 15	2	2	0	0
Total	23	23	0	0

Employees and Posts numbers are as at 30 June

Table: 76 Employees: Electricity Services

3.5.6 Capital: Electricity

The following table indicates the capital expenditure for this division:

Capital Projects	2018/19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Office equipment	0	1 708	1 708	100%	1 708
Upgrading of bulk electricity Vredendal	2 500 000	2 500 000	2 500 000	0%	2 500 000
Upgrading of bulk electricity	3 000 000	750 000	750 000	(75%)	750 000
Vredendal streetlights	150 000	150 000	143 938	(4%)	143 938
Office container / wendy house electrical	50 000	50 000	0	(100%)	0
Cherry picker	1 200 000	1 000 818	1 000 818	(17%)	1 000 818
Upgrading of communication system in DMA	0	200 000	173 002	100%	173 002
Total	6 900 000	4 652 526	4 569 466	(34%)	4 569 466

Table: 77 Capital Expenditure 2018/19: Electricity

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3.6 WASTE MANAGEMENT (REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

3.6.1 Introduction to Waste Management

Matzikama Municipality have landfill sites in Vredendal, Klawer, Vanrhynsdorp, Lutzville, Strandfontein, Doring Bay, Ebenhaeser, Bitterfontein, Rietpoort, Kliprand and Nuwerus.

Vredendal is currently used as the main landfill site for household refuse. Waste from the surrounding towns is transported to Vredendal for disposal. Earthmoving plant equipment are hired from external service providers for covering of service material and other related maintenance on the landfill sites.

The 3rd Generation Integrated Waste Management Plan has been developed and will be presented to Council for approval prior to implementation.

Matzikama and Cederberg Municipalities signed an agreement for the establishment of a regional landfill site that will service both municipalities. The establishment of such landfill site is funded and managed by West Coast District Municipality.

3.6.2 Highlights: Waste Management

The table below specifies the highlights for the year:

Highlights	Description
Recycling facility – Vredendal North	Recycling in terms of waste separation started in April 2019
Installation of weighbridge	A weighbridge to determine the volume of waste entering the landfill site and recycling facility are 85% operational
Appointment of Superintendent: Waste Management	The position of Superintendent: Waste Management has been filled
Procurement of vehicles	The following vehicles have been procured to enhance waste collection in towns: 1 Compactor, 2 small trucks, 1 tip truck and 1 digger loader

Table: 78 Waste Management Highlights

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3.6.3 Challenges: Waste Management

The table below specifies the challenges for the year:

Description	Actions to address
Lack of a Waste Manager	Budgetary provision must be made to appoint a Waste Manager
Illegal dumping	Awareness on illegal dumping must be created and continuous collaboration with the community
Lack of funding for recycling	Budgetary provision must be made to fast track recycling

Table: 79 Waste Management Challenges

3.6.4 Service Delivery Levels: Waste Management

The table below specifies the different waste management (refuse removal) service delivery levels per households for the financial years 2017/18 and 2018/19:

Number of Households		
Description	2017/18	2018/19
Solid Waste Removal: (Minimum level)		
Removed at least once a week	10 035	10 339
Minimum Service Level and Above sub-total	10 035	10 339
Minimum Service Level and Above percentage	100	100
Solid Waste Removal: (Below minimum level)		
Removed less frequently than once a week	0	0
Using communal refuse dump	0	0
Using own refuse dump	0	0
Other rubbish disposal	0	0
No rubbish disposal	0	0
Below Minimum Service Level sub-total	0	0
Below Minimum Service Level percentage	0	0
Total number of households	10 035	10 339

Table: 80 Waste Management Service Delivery Levels

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3.6.5 Employees: Waste Management

The following table indicates the staff composition for this division:

Job Level	2018/19			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 – 3	28	28	0	0
4 – 6	35	35	0	0
7 – 9	9	9	0	0
10 - 12	3	3	0	0
13 - 15	1	1	0	0
Total	76	76	0	0

Employees and Posts numbers are as at 30 June

Table: 81 Employees: Waste Management

3.6.6 Capital: Waste Management

Capital Projects	2018/19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from adjustment budget	Total Project Value
Digger Loader	1 200 000	988 000	980 391	(18%)	980 391
Refuse Truck	2 800 000	1 737 413	1 815 664	(35%)	1 815 664
5-8 Ton Tipper	570 000	733 805	733 803	29%	733 803
1.6 Tipper Vehicles	300 000	511 936	511 935	71%	511 935
Tool Carriers	130 000	70 638	0	(100%)	0
New containers / outline existing containers (landfill sites)	100 000	0	0	(100%)	0
Total	5 100 000	4 041 792	4 041 793	(21%)	4 041 793

Table: 82 Capital Expenditure 2018/19: Waste Management

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3.7 HOUSING

3.7.1 Introduction to Housing

The Municipality has embarked on a program to create the necessary infrastructure to sustain future housing projects. Our objective is to eradicate informal settlements and to provide every household with a basic service which include a toilet, electricity, water and refuse removal.

3.7.2 Highlights: Housing

The table below specifies the highlights for the year:

Highlights	Description
Transfer of 130 title deeds (Vredendal-North Housing Project)	Only 83 title deeds of the Vredendal-North housing project are outstanding
Transfer of 80 title deeds (Klawer Informal Settlement)	80 title deeds of the Klawer informal settlement has been transferred to the owners
Transfer of 303 title deeds (Pre-1994 houses)	303 title deeds of the Pre-1994 houses, that was still on the Municipalities name, has been transferred
Transfer of 9 title deeds (Kliprand - District Management Areas (DMA))	9 Title deeds transferred to site owners for individual housing applications
Completion of civil works for the Vredendal-North Housing Project (Phase 5)	Phase 5 of the project has been 100% completed
80% completion of civil works for the Lutzville 327 (Phase 2)	80% of the civil works (Phase 2) has been completed
Upgrade informal settlements (Vredendal, Klawer, Koekenaap)	Informal settlements were upgraded through the fixing of toilets and adding water taps for the residents. Black plastic bags were also provided for all the residents and an interim community committee were established to speak on behalf of residents

Table: 83 Highlights: Housing

3.7.3 Challenges: Housing

The table below specifies the challenges for the year:

Description	Actions to address
Growing population of illegal occupants on municipal land	A unit must be established to monitor activities in all towns and to address the construction of illegal structures
Municipal official's safety when visiting informal settlements	Safety measures must be put in place when visiting the informal settlements
Shortage of staff	Additional staff must be appointed to assist with the capturing of data and to conduct education programs
Availability of land	Land should be sourced and/or procured to provide fo additional housing

Table: 84 Housing Challenges

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3.7.4 Service Delivery Levels: Housing

The table below indicates that 92% of the households in the municipal area are living in formal settlements:

Percentage of households with access to basic housing			
Financial year	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
2017/18	12 000	10 887	91
2018/19	14 623	13 431	92

Table: 85 Access to Housing

Housing Waiting List

The following table indicates the decrease in the number of housing units on the waiting list from 2017/18 to 2018/19:

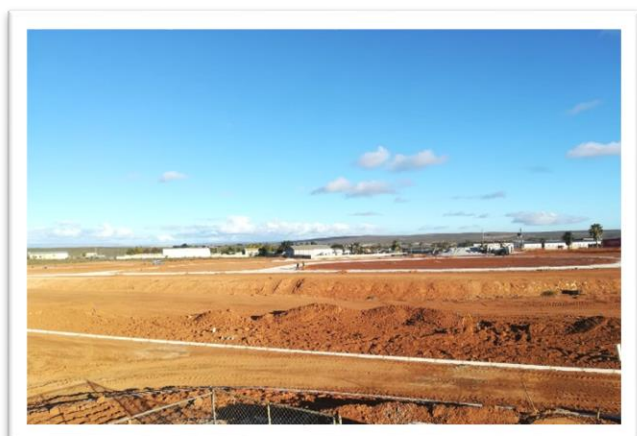
Financial year	No of housing units on waiting list	% Housing waiting list increase/(decrease)
2017/18	9 299	4%
2018/19	9 491	2%

Table: 86 Housing Waiting List



Vredendal-North 382 (Phase 5) project site

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Lutzville 327 (Phase 3) project site

3.7.5 Employees: Housing

The following table indicates the staff composition for this division:

Job Level	2018/19			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	0	0	0	0
7 - 9	0	0	0	0
10 - 12	4	4	0	0
13 - 15	0	0	0	0
Total	4	4	0	0
Employees and Posts numbers are as at 30 June				

Table: 87 Employees: Housing

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3.8 FREE BASIC SERVICES AND INDIGENT SUPPORT

The table indicates the percentage of indigent households that have access to free basic municipal services. In accordance with the approved Indigent Policy of the Municipality, all households earning less than R4 800 per month will receive free basic services. The table, furthermore, indicates the total number of indigent households and other households that received free basic services in the past two financial years. The total households are based on the Western Cape Government Socio Economic Profile document.

Financial year	Number of households								
	Total no of HH	Free Basic Electricity		Free Basic Water		Free Basic Sanitation		Free Basic Refuse Removal	
		No. Access	%	No. Access	%	No. Access	%	No. Access	%
2017/18	15 589	3 052	19.57	2 751	17.65	3 052	19.57	3 052	19.57
2018/19	20 821	3 358	16.13	3 142	15.09	3 358	16.13	3 358	16.13

Table: 88 Free Basic Services to Indigent Households

Electricity		
Financial year	Indigent Households	
	No. of HH	Value
		R'000
2017/18	3 052	1 671
2018/19	3 291	529

Table: 89 Free Basic Electricity Services to Indigent Households

Water			
Financial year	Indigent Households		
	No. of HH	KI per HH	Value
			R'000
2017/18	3 052	10	2 205
2018/19	3 071	10	993

Table: 90 Free Basic Water Services to Indigent Households

Sanitation			
Financial year	Indigent Households		
	No. of HH	KI per HH	Value
			R'000
2017/18	2 751	163.16	5 386
2018/19	3 081	171.81	5 628

Table: 91 Free Basic Sanitation Services to Indigent Households

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Refuse Removal			
Financial year	Indigent Households		
	No. of HH	KI per HH	Value
			R'000
2017/18	3 052	1	4 819
2018/19	3 323	1	5 179

Table: 92 Free Basic Refuse Removal Services to Indigent Households

COMPONENT B: ROAD TRANSPORT

3.9 ROADS AND STORMWATER

3.9.1 Introduction to Roads and Stormwater

The average condition of the road network within the municipal area can be rated as fair to poor. To restore the existing condition of the roads, the Municipality will have to budget extensively over the next few years.

Routine maintenance, for example patching of potholes, replacement of curbs and cleaning of storm water networks, is done by the maintenance team of the Municipality. Gravel roads are graded monthly to ensure that it remain in a fair and serviceable condition.

The priorities for the Municipality are to maintain existing tarred roads by means of re-sealing and to construct new paved roads (upgrading of existing gravel roads) that include stormwater systems. Maintenance of roads are funded by the Municipality and construction of new paved roads, by the Municipal Infrastructure Grant (MIG). Technical reports for such construction / upgrades are compiled, submitted and prioritised for implementation.

Stormwater Master Plans need to be developed for all the towns within the municipal area as informal settlements were allocated to areas where there is no stormwater drainage.

3.9.2 Highlights: Roads and Stormwater

The table below specifies the highlights for the year:

Highlights	Description
About 3 775m of new paved roads was constructed in the Matzikama area	New roads were constructed through the MIG program
12 Sections of road paved with in – house staff	The department was able to slurry a few sections of roads to extend the life span of the roads in the area
7 Sections of road paved	The department was able to slurry a few sections of roads to extend the life span of the roads in the area
EPWP staff served as a huge plus point for the technical department to enhance better service delivery on our roads and stormwater systems	EPWP helped with cleaning of stormwater channels, catch pits. and with slurry and pothole patching

Table: 93 Roads and Stormwater Highlights

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3.9.3 Challenges: Roads and Stormwater

The table below specifies the challenges for the year:

Description	Actions to address
Lack of a Roads and Stormwater Master Plan	Roads and Stormwater Master Plan must be put in place as soon as possible to address priority sections of the stormwater systems and to construct new systems where necessary. Also, to prioritize sections of roads to be resurfaced
The department need about R15 million in the next financial year (2020/21) to resurface large sections of roads in the Matzikama area to ensure good ride ability and road surface quality	Go out on tender for external service providers. Do slurry, chip and spray application on the roads in the area
Lack of staff	Need more general staff members to assist with daily roads and stormwater projects. A roads and stormwater technician is required to do inhouse technical projects

Table: 94 Roads and Stormwater Challenges

3.9.4 Service Delivery Levels: Roads and Stormwater

The table below specifies the service delivery levels for the year:

Gravel Road Infrastructure: Kilometres				
Year	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2017/18	85.41	0	3.06	80.00
2018/19	82.35	0	1.315	82.35

Table: 95 Gravel Road Infrastructure

Tarred Road Infrastructure: Kilometres					
Year	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2017/18	118	0	0	0	118
2018/19	118	0	0	1.110	118

Table: 96 Tarred Road Infrastructure

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The tables below specify that there are 25 kilometers of stormwater channels in the municipal area:

Stormwater Infrastructure: Kilometres				
Year	Total Stormwater measures	New Stormwater measures	Stormwater measures upgraded	Stormwater measures maintained
2017/18	25	0.25	1.15	25
2018/19	25.25	0.8	0	25.25

Table: 97 Stormwater Infrastructure

3.9.5 Employees: Roads

The following table indicates the staff composition for this division:

Job Level	2018/19			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 – 3	8	8	0	0
4 – 6	17	16	1	6
7 – 9	17	15	2	12
10 – 12	4	4	0	0
13 – 15	6	6	0	0
Total	52	49	3	6

Employees and Posts numbers are as at 30 June

Table: 98 Employees: Roads

3.9.6 Employees: Stormwater

The following table indicates the staff composition for this division:

Job Level	2018/19			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 – 3	0	0	0	0
4 – 6	18	18	0	0
7 – 9	3	3	0	0
10 – 12	1	1	0	0
13 – 15	1	1	0	0
Total	23	23	0	0

Employees and Posts numbers are as at 30 June

Table: 99 Employees: Stormwater

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3.9.7 Capital: Roads and Stormwater

The following table indicates the capital expenditure for this division:

Capital Projects	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Koekenaap: Upgrade gravel road pave Ph1.1	0	376 013	376 013	100%	376 013
Lutzville: Upgrade gravel roads pave	6 000 000	3 774 228	3 774 227	(37%)	3 774 227
Machinery and equipment (drill,grinder)	50 000	71 000	69 552	39%	69 552
Nuwerus: Upgrade gravel roads Phase 1	1 840 704	1 840 704	1 840 704	0%	1 840 704
Vanrhynsdorp: Upgrade gravel road in Hopland, Maskamsig Phase 2	5 415 050	5 054 243	5 054 243	(7%)	5 054 243
Digger loader 4x4	1 500 000	1 081 151	1 081 152	(28%)	1 081 152
Digger loader	1 100 000	1 081 152	1 081 152	(2%)	1 081 152
Plavei Vredendal bus route	2 916 299	2 916 299	2 916 298	0%	2 916 298
Kliprand: New roads and stormwater	3 000 000	2 804 676	2 804 687	(7%)	2 804 687
Chainsaw	20 000	18 196	18 196	(9%)	18 196
Concrete mixer	60 000	60 000	17 999	(70%)	17 999
Road traffic signs	50 000	50 000	49 836	0%	49 836
Compressor	7 000	7 000	2 306	(67%)	2 306
Project Management Unit (PMU) furniture	241 520	35 800	35 792	(85%)	35 792
Upgrading of infrastructure offices	0	12 000	12 000	100%	12 000
LDV single cab x 3	0	771 960	771 960	100%	771 960
Vanrhynsdorp: Upgrade streets: Maskamsig: Phase 3	0	218 500	218 500	100%	218 500
Lutzville: New bus route for housing project	0	1 510 633	1 510 633	100%	1 510 633
Olifantsdrift construction of paved roads	0	226 763	226 763	100%	226 763
Total	22 200 573	21 910 318	21 862 012	(2%)	21 862 012

Table: 100 Capital Expenditure 2018/19: Roads and Stormwater

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COMPONENT C: PLANNING AND LOCAL ECONOMIC DEVELOPMENT (LED)

3.10 TOWN PLANNING AND BUILDING CONTROL

3.10.1 Introduction to Town Planning and Building Control

The planning and building control function of the Municipality include the effective and efficient processing of land development and building plan applications according to the requirement and obligation of applicable legislation, as well as enforcement regarding unauthorized development and building work. It also includes the effective implementation of the Spatial Development Framework (SDF) for Matzikama Municipality and other planning related strategies and/or policies to ensure that development within the municipal area is according to statutory regulations and policy guidelines for an orderly, harmonious and sustainable built environment.

3.10.2 Highlights: Town Planning and Building Control

The table below specifies the highlights for the year:

Highlights	Description
House Shop Project	The second phase of this project has been completed
SDF	The Municipality again successfully amended the municipal SDF in house, which includes a capital expenditure framework
Internships: Town Planning Section	The Municipality employs two interns dedicated to the Town Planning Section
Building Control Section	The new wing for the Building Control Section has been completed and building control successfully moved in
	The capacity of the Building Control Section has been increased to one Building Control Officer, two Building Inspectors and one Clerk
	The Building Control Officer and one Building Inspector is registered in terms of the Architectural Profession Act, 2000 (No 44 of 2000) in accordance with the South African Council for the Architectural Profession (SACAP)
	The Building Control Module (for electronic submission and processing of building applications) of the Collaborator system nears implementation
Peace Officer Training	Officials from both the Building Control and Town Planning Sections attended the Traffic Warden and Peace Officer training
Collaborator: Planning Module	Funds to purchase the Planning Module of the Collaborator system have been sourced for the installation and integration of the Planning Module within the current Collaborator system

Table: 101 Town Planning and Building Control Highlights

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3.10.3 Challenges: Town Planning and Building Control

The table below specifies the challenges for the year:

Description	Actions to address
Although there are still three Planners registered at the South African Council for Planners (SACPLAN) in terms of the Planning Profession Act, 2002 (No 36 of 2002) employed by the Municipality, only two registered Planners work in the Town Planning Section	The Municipality must make funding available to address the lack of knowledgeable capacity within the Town Planning Section
Over worked and tired officials in the Town Planning Section as the number of land development applications submitted, has doubled	Increase the current number of knowledgeable officials within the Town Planning Section
Addressing law enforcement procedures in the absence of dedicated qualified law enforcement officials regarding environmental-, land development- and building control, as well as liquor and trading legislation	Employ dedicated law enforcement officials and develop clear and concise standard operating procedures
The Matzikama Municipality: Land Use Planning By-law, 2015 is not developmental friendly	The Matzikama Municipality: Land Use Planning By-law, 2015 must be revised to optimize and streamline land development application procedures and reduce red tape
An Integrated Land Use Management Scheme must be implemented before 1 July 2020	The Municipality must make resources available to commence the process to establish an Integrated Land Use Management Scheme for the whole Matzikama municipal area which must commence without delay
Non-compliance with the requirements set by the South African Council for Planners with regards to continuous professional development points	The Municipality must make funding and resources available to enable the two planners registered with the South African Council for Planners to attend short courses, meetings, seminars, conferences etc. to obtain the required continuous professional development points
Lack of support from external institutions as well as provincial and national departments with regards to legal timeframes, support with the compilation of a SDF and the establishment of an Integrated Land Use Management Scheme	Improving inter-governmental relations with all the relevant departments to also ensure that comments / approvals regarding applications were received within legal timeframes so that this office can make informed recommendations and the compilation of a SDF and Integrated Land Use Management Scheme
The planning process at the Municipality is hand and hard copy driven which is very time consuming and hinder productivity and output	The installation and integration of the Collaborator: Planning Module with the existing Collaborator systems needs to be completed and implemented
Lack of control with regards to public that can freely access the building without an appointment with relevant officials from the Building Control and Town Planning Sections and demand feedback on land development and building plan applications already in the system, as well as general enquires	Establishment of a "public counter" by the Town Planning Section to facilitate any enquiries, processing of building plan applications in terms of the applicable Zoning Scheme Regulations and prior land use approvals
Registration of one Building Inspector in terms of the Architectural Profession Act, 2000 (No 44 of 2000) in accordance with the South African Council for the Architectural Profession (SACAP)	The Building Inspector must submit relevant documentation to the South African Council for the Architectural Profession (SACAP) to enable his registration in terms of the Architectural Profession Act, 2000 (No 44 of 2000)

Table: 102 Town Planning and Building Control Challenges

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3.10.4 Statistics: Town Planning and Building Control

The table below specifies that 48 land use and 174 building applications were handled during 2018/19.

Detail	Formalisation of Townships		Land use Applications		Built Environment	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Applications received in relevant year	2	1	*28	56	136	116
Applications of the previous year not yet determined	0	1	20	21	38	30
Total	2	2	48	77	174	146
Determinations made	1	2	22	26	110	94
Applications withdrawn	0	0	1	7	31	24
Applications still incomplete at year-end	0	0	*8	12	26	23
Complete applications outstanding at year-end	1	0	**17	32	7	5
Total	2	2	48	77	174	146
* Does not include application for house shops						
**10 includes applications waiting for comments from departments						

Table: 103 Planning and Building Control Service Delivery Statistics

3.10.5 Employees: Town Planning and Building Control

The following table indicates the staff composition for this division:

Job Level	2018/19			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 – 3	0	0	0	0
4 – 6	0	0	0	0
7 – 9	0	0	0	0
10 - 12	2	2	0	0
13 - 15	3	3	0	0
Total	5	5	0	0
Employees and Posts numbers are as at 30 June				

Table: 104 Employees: Town Planning and Building Control

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3.10.6 Capital: Town Planning and Building Control

Capital Projects	2018/19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Aircons	20 000	18 600	18 555	(7%)	18 555
Furniture and Equipment	40 000	6 310	6 310	(84%)	6 310
Furniture and Equipment	55 000	50 000	52 134	(5%)	52 134
Computers	70 000	45 000	17 942	(74%)	17 942
Total	185 000	119 910	94 941	(49%)	94 941

Table: 105 Capital Expenditure 2018/19: Planning

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

3.11.1 Introduction to Local Economic Development (LED)

Section 152(c) of the Constitution, obliged municipalities to promote social and economic development. To give effect to this constitutional obligation, the Matzikama Municipality are always in the process of seeking and identifying development initiatives to grow its economy.

During public participation processes in the past in various communities, local economic development was prioritized as a highly regarded strategic objective for the Matzikama area. More specifically, LED seeks to contribute as a locally driven process by national - , provincial - , local government, private sector and communities, working collectively to stimulate and transform the local economy to create sustainable job opportunities. The main focus remains industrial development to grow and diversify the economy, the creation of decent job opportunities and the reduction of poverty. It is envisaged that the vision of the Matzikama Municipality seeks to improve its capability through effectiveness, responsiveness and accountability in sustainable forms to ensure a well-educated, healthy and pleased community.

3.11.2 Highlights: LED

The table below includes the highlights with the implementation of the LED Strategy:

Highlights	Description
Working closer with the fishing communities	Development of the “Vlekplek” area as an economic development project and possible tourism attraction will give opportunities to the fishing communities in the Matzikama area. Entrepreneurs will have the opportunity to sell fried fish, chips, etc. This fresh fish market project will address some of the unemployment and poverty challenges faced by the communities of Doring Bay, Papendorp and Ebenaeser
Wool sheering and spinning project in Ward 8	The project is about the sheering of sheep and spinning of wool to manufacture clothes. The project is about to will local emerging- and commercial farmers as well as entrepreneurs from the local areas

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Highlights	Description
Establishment of the Matzikama Business Development Centre	The business centre was established for the main purpose to render services to local Small, Medium & Micro Enterprise Businesses (SMMEs). A service provider will soon be appointed to manage the development centre. The centre will be based in the central business district (CBD) of Vredendal to accommodate more people from the outside areas of Matzikama

Table: 106 LED Highlights

3.11.3 Challenges: LED

The table below includes the challenges with the implementation of the LED Strategy:

Description	Actions to address
Water shortages due to the draught	Water shortages were supplemented with underground water. Communities are encouraged to save water and water restrictions are implemented
Water	Due to the non-completion of the raising of the Clanwilliam Dam, water remains a huge challenge for the development of agricultural initiatives in our area. However, the Municipality continuously support the emerging farmers by providing treated sewerage water for the purpose of cultivating lucerne as an additional fodder for cattle
Land	As a result of a shortage of agricultural land to commercial and emerging farmers, no further development or limited development can take place. It is therefore imperative that the Department of Rural Development must make sufficient budget available to buy land from commercial farmers in order to support emerging farmers, especially for the purpose of acquiring additional water from the raising of the Clanwilliam Dam project
Development of SMME's through increased capacity and sustainability	The improvement of sustainability of SMME's through increased capacity to bid for and win of local tenders To increase municipal capacity to support SMME's by easing up procurement for the development and sustainability of SMME's. Identifying and address of key challenges that the Municipality face in supporting SMME's practice which are related to capacity, legislation and other areas of difficulty









Table: 107 Challenges LED

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3.11.4 LED Strategy

The focus of the IDP is “Economic Development: A pre-requisite for successful service delivery”. A new LED Strategy has been adopted and approved by Council. The LED Forum of Matzikama Municipality comprises of a diverse membership emanating from various sectors of society. The current LED Strategy is built around commitment to develop a climate in which economic development and economic growth can prosper.

The LED Strategy identifies various issues and strategic areas for intervention including but not limited to:





-  Financial support from provincial and national government
-  The lack of skills and training facilities in our communities which are contributing largely to our poor developed economies, particularly in terms of Black Economic Empowerment (BEE)
-  The lack of project development aid for the local communities that have a negative impact on BEE and makes it increasingly difficult for BEE to meaningful impact on the local economy
-  Community ownership of local projects
-  Aqua culture development, both marine and freshwater, can have a meaningful impact on the local economy, especially in the coastal towns
-  SMME development has potential to contribute significantly to the socio-economic challenges of the Municipality
-  Accessing government land is a major obstacle and needs earnest attention should we want to attract investment to the area for LED
-  Although economic development is a function of established bodies such as emerging farmers, women in construction, fishing and aqua culture, commercial farmers, etc., the concern is that they do not function effectively due to the lack of leadership, expertise, funding, etc

The progress made regarding the implementation of the LED Strategy can be summarised as follows:

-  Five key development areas including primary and secondary aqua-culture sector development, primary and secondary agriculture development, recycling of waste plastics and manufacturing of plastic products and tourism were identified as focused areas in terms of LED
-  The aqua culture sector development was identified as the area with the most potential and as an area of priority due the impact it potentially has
-  The Municipality facilitated a process that culminated in the establishment of a partnership between the private sector and the Doring Bay Development Trust (DDT) to establish the first community owned abalone farm. This laid the foundation for the rolling-out of the further development of this sector
-  At least two other primary and secondary agri-culture products have been identified and will soon form part of the development process

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Further LED priorities include:

-  To speed up the development processes that will lead to the establishment of 4 abalone farms. Provincial and national government and the private sector will be engaged to support this development
-  To market the area as the prime location for aquaculture development. The Department of Economic Development and Tourism (DEDT) will be approached to support with the development of plans that will include realistic and implementable marketing strategies
-  To compile a business/feasibility plan for the production of almond nuts. The West Coast District Municipality will be approached to make funds available for the development of the required business/feasibility plan
-  To establish a wool manufacturing project in the northern part of the municipal area. Funds to be sourced from the private sector and relevant government departments

3.11.5 LED Statistics

The table below provides the detail of the job opportunities created through the Extended Public Works Programme (EPWP):

Details	Number of Projects	Number of Job opportunities created
	No.	No.
2017/18	27	235
2018/19	15	357

Table: 108 Job Creation through EPWP Projects

COMPONENT D: COMMUNITY AND SOCIAL SERVICES

3.12 LIBRARY SERVICES

3.12.1 Introduction to Library Services

There are twelve (12) public libraries in the Matzikama municipal area respectively in Vredendal-South, Vredendal-North (Eureka), Vanrhynsdorp, Vanrhynsdorp-North (Troe-Troe), Lutzville, Lutzville-North (Uitkyk), Klawer, Ebenhaeser, Doring Bay, Bitterfontein, Nuwerus and Rietpoort.

These 12 libraries promote the economic and social upliftment of the communities within the municipal area by providing a wide range of information and recreational library materials free of charge to the communities. To provide this information and materials to the most rural parts of Matzikama Municipality wheelie wagon “libraries” are provided in some of the settlements namely, Stofkraal, Molsvlei and Kliprand of the former DMA-area of Matzikama.

Many scholars and students, especially from those communities living in poverty visits the libraries for information regarding their studies, assignments and other school work because school libraries are poorly equipped or do not exist

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any more. Job seekers can get information regarding job opportunities with free access to internet at the 12 libraries and can even create and update their CV's on the computers at the libraries.

The personnel at the libraries also present special programmes and exhibitions for library users and especially for children to promote reading habits, the correct use of the indexes of encyclopaedias to find information and in book education (the correct way to use a book while reading). Libraries are an important and essential part of the community and social services rendered by the Municipality, especially to those communities that are living in poverty.

3.12.2 Highlights: Library Services

The table below specifies the highlights for the year:

Highlights	Description
Financial support for library services (unfunded mandate) from the Provincial Government Western Cape and relevant National Department	Municipal Replacement Funds (MRF) of R4 458 000 and a Conditional Grant of R3 240 000 was received from the Western Cape Library Services and the relevant National Department for personnel, operational and capital expenses for library services in Matzikama Municipal area
The appointment of a Library Manager	A Library Manager was appointed from the 1 January 2019
The installation of a modular library at Koekenaap – a first for Matzikama	The installation of a modular library at Koekenaap a rural community that will have access to public library services as well as internet access
The replacement of the manual lending out system (of library materials to the public) at all remaining libraries with the SLIMS / Brocade Computerised Library System of the Western Cape Provincial Library Services	The replacement of the manual lending out system (of library materials to the public) with the SLIMS / Brocade Computerised Library System by the Western Cape Provincial Library Services was rolled out to Ebenhaeser, Doring Bay, Bitterfontein, Nuwerus and Rietpoort
The delivering of library books and audiobooks to the elderly people staying in the Old Age Home in Vredendal	The library personnel of Vredendal-South Library visited the old age home in Vredendal monthly and delivered library books and audio-books door-to-door to the elderly people that are staying there
A weekly book review-programme on the local radio-station, Radio Namaqualand	A senior librarian promotes the reading habit of the public by means of a weekly book review programme on the local radio station, Radio Namaqualand
The training of library personnel	Various personnel of different libraries attended formal training occasions/opportunities, namely Western Cape Marketing Workshop, Slims User Group Training and Library Managers Training

Table: 109 Library Services Highlights

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3.12.3 Challenges: Library Services

The table below specifies the challenges for the year:

Description	Actions to address
Some communities in the municipal area do not have access to public libraries	The communities of Lutzville-West, Papendorp, Vergenoeg (Vredendal-North) and Klawer-North are in need for library services. This issue was placed under the attention of the Provincial Library Services
Upgrade of Doring Bay Library	The current library building of Doring Bay Library does not meet the needs of library users. This issue was placed under the attention of the Provincial Library Services
Lack of personnel	This issue was placed under the attention of the Provincial Library Services
A decrease in the circulation of library material	It's an overall tendency in public libraries. Libraries need to undertake active awareness programs in order to promote and establish a reading culture amongst communities
The installation of computers with internet access for the public as part of the ICT project of Western Cape Provincial Library Service at Doring Bay Library	Facilitate the installation of computer workstations with internet access for the public by the Western Cape Provincial Library Services at Doring Bay Library

Table: 110 Library Services Challenges

3.12.4 Service Statistics for Library Services

The table below specifies the service statistics for the year:

Type of service	2017/18	2018/19
Library members	7 133	7 278
Books circulated	209 962	193 540
Exhibitions held	111	147
Internet users	7 036	18 013
Children programmes	82	106
Visits by school groups	73	86
Book group meetings for adults	28	26
Primary and Secondary Book Education sessions	55	52
Book reviews and marketing	26	30

Table: 111 Service Statistics for Library Services

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3.12.5 Capital: Library Services

Capital Projects	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Furniture / Bookshelves	80 000	58 625	58 625	(27%)	58 625
Aircons	0	25 952	25 952	100%	25 952
Modular Library in Koekenaap	600 000	663 798	663 797	11%	663 797
Total	680 000	748 375	748 374	10%	748 374

Table: 112

Capital Expenditure: Libraries

3.13 CEMETERIES

Facilities are based in all towns within the boundaries of the Municipality and maintained within the municipal area. All cemeteries are maintained on a continuous basis and are generally in a good condition.

3.13.1 Highlights: Cemeteries

The table below specifies the highlights for the year:

Highlights	Description
Regular maintenance and cleaning of cemeteries	The maintenance and cleaning of the cemeteries was part of the EPWP work programme
Columbarium wall	A columbarium wall to store the ashes of loved ones were constructed at Helde Akker

Table: 113 Cemeteries Highlights



EPWP maintenance and cleansing of cemeteries



Columbarium wall at Helde Akker

3.13.2 Challenges: Cemeteries

The table below specifies the challenges for the year:

Description	Actions to address
Fencing of cemeteries to restrict access to cemeteries	Budgetary provision must be made to control access to cemeteries

Table: 114 *Cemeteries Challenges*

3.13.3 Service Statistics for Cemeteries

The table below specifies the service delivery levels for the year:

Type of service	2017/18	2018/19
Pauper burials	6	5

Table: 115 *Service Statistics for Cemeteries*


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3.14 CHILD CARE, AGED CARE AND SOCIAL PROGRAMMES

The Municipality provide access to buildings for child care, aged care and other social programmes. These programs are mostly done on behalf on the Municipality, by other stakeholders, due to financial constraints.

3.14.1 Highlights: Child Care, Aged Care and Social Programmes

The table below specifies the highlights for the year:

Highlights	Description
Waste management and recycling awareness for the youth	Facilitators created awareness of waste management and recycling by teaching participants various methods and techniques to sort waste
After care and training	Children are taken care of after school and assisted with various learning techniques
Parenthood Academy – Kweekhuis Program	The Parenthood Academy – Kweekhuis Program is accommodated at the Vredendal North Thusong Centre
Homework Hub – Infrastructure	The Municipality is in the process of completing infrastructure for a Homework Hub
Parenthood Academy - Literacy Month	Literacy Program in partnership with the Library and Thusong Centre was hosted by the Municipality
Tiervlei Financial Literacy Week	Tiervlei Arts in collaboration with Office of the Consumer Protector presented a Financial Literacy Campaign in the form of short drama. This is to inform people of their rights as the consumer and the laws that are in place to protect them against unlawful creditors and debt collectors
Dorcas	 National Lotteries Commission Lotto Funded Sharing and Caring Program Feeding members of the community effected by HIV/Aids,TB and other illnesses on a daily basis Referral program for hampers and food parcels Arts and crafts program
SARS visitations	SARS services are available at the Thusong Centre, every third month
Youth Day 16 June 2019	Youth day celebration in partnership with Matzikama Municipality and the Thusong Centre
Community Arts Foundation	This arts and culture program focus mostly on dance programmes for the youth of Matzikama. The program was implemented/rolled out to various parts such as Vanrhynsdorp, Vredendal, Ebenhaeser, Bitterfontein
First Time ID Project	A first time ID project was hosted in partnership with the Municipality (Thusong Centre), Department of Home Affairs and Department of Local Government
Wupperthal – Home Affairs Relieve Program	In partnership with the Department of Home Affairs and the Thusong Centre, a ceremony was held and about 80 people from Wupperthal received new ID's and other essential documents that was destroyed in the Wupperthal fire

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Highlights	Description
Independent Electoral Commission (IEC)	The IEC is a tenant at the Vredendal North Thusong Centre and the Thusong Centre served as a voting station for the 2019 elections
Opening of Code bridge	 Youth Development Program In partnership with the Thusong Centre

Table: 116 Highlights: Child Care; Aged Care and Social Programmes

3.14.2 Challenges: Child Care, Aged Care and Social Programmes

The challenges experienced are as follows:

Description	Actions to address
Limited space at the Thusong Centre - Home Affairs requires a bigger waiting area to serve the commuters on a daily basis	The project is earmarked for the 2020/21 financial year
Lack of tables and chairs	Budgetary provision must be made to procure more tables and chairs for the Thusong Centres
Limited space for pupils at the Parenthood Academy	The project to address the issue is under way and will be completed in the 2019/20 financial year
A receptionist is required to handle surveys, stats, service directions and other matters	Budgetary provision must be made to appoint a receptionist

Table: 117 Challenges: Child Care; Aged Care and Social Programmes

3.14.3 Service Statistics for Child Care, Aged Care and Social Programmes

The table below specifies all the programmes that the Municipality supported during the year:

Description	Number
DORCAS – Referrals/Hampers	20
Parenthood Academy - Literacy Month	45
SARS	389
Road Accident Fund	n/a
Tierylei Financial Literacy Week	152
SASSA	n/a
Youth Day 16 June 2019	500
Wupperthal – Home Affairs Relieve Program	n/a
Community Arts Foundation	300
Emergency Outreach Program	1 000
Open Up – Code Bridge	35

Table: 118 Service statistics for Child Care, Aged Care and Social Programmes

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3.14.4 Capital Expenditure: Community and Social Services

The table below indicates the capital expenditure relating to Community and social services:

Capital Projects	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Tables and chairs for community halls	100 000	90 000	83 749	(16%)	83 749
Establishing of tools store	100 000	100 000	31 652	(68%)	31 652
Building equipment/tools	50 000	44 000	40 997	(18%)	40 997
Total	250 000	234 000	156 398	(37%)	156 398

Table: 119 Capital Expenditure: Community and Social Services

COMPONENT E: ENVIRONMENTAL PROTECTION

3.15 ENVIRONMENTAL PROTECTION

3.15.1 Introduction to Environmental Protection

a) Pollution Control

The air pollution control function in our area is executed in terms of a service level agreement with the West Coast District Municipality (WCDM). The main function is to regulate the listed activities licenced in terms of the National Environmental Management Air Quality Act, 2004 (Act 39 of 2004). These activities include major industries such as steel manufacturing, cement manufacturing, handling and export of iron ore in bulk, fishmeal production, galvanizing, crude oil storage, clay brick manufacturing, lime processes, waste incineration, etc. Two of these activities namely, clay brick manufacturing and lime processes, are located in the municipal area. The air quality levels on pollution in our area are within the legislative requirements.

b) Communication with Industry

A communication platform with industry, the West Coast Air Quality Working Group chaired by WCDM has been established. The Municipality attends the quarterly meetings and report on the listed activities in a specific agreed upon format. The minutes of these meetings are distributed to all attendees that include the provincial government and all the local municipalities in the West Coast District.

c) Air Quality Management Plan

According to the abovementioned Act, municipalities must compile Air Quality Management Plans that set out what will be done to achieve the prescribed air quality standards. Our plan forms part of the Municipality's IDP. The WCDM appointed external expertise to draft the plans and by-laws for all the municipalities within the West Coast District.

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COMPONENT F: SECURITY AND SAFETY

Our objective is to limit crime in the municipal area in collaboration with other government institutions and implement security measures within the available budget.




We are experiencing theft, damage and vandalism at our municipal properties, which happens especially over weekends and at night. A further challenge is the number of homeless people in the Vredendal CBD. These challenges are due to the high rate of unemployment in the area that increases the level of crime in the municipal area

3.16 TRAFFIC SERVICES

3.16.1 Introduction to Traffic Services

The Traffic and Law Enforcement Division comprises of 14 officers which is divided into three districts.



In the **Central District**, Vredendal and Vredendal North, we have a driver's license testing and roadworthy facility. The staff capacity is divided as follow:

-  1 Superintendent
-  2 Senior Traffic Officers for the testing of vehicles and driver's licenses
-  3 Traffic Officers for traffic safety and law enforcement for the specific district










In the **Western District**, Lutzville, Koekenaap and Doring Bay there are:

-  1 Superintendent
-  3 Traffic Officers for traffic safety and law enforcement

In the **Eastern District**, Vanrhynsdorp to Klawer and North to Bitterfontein, including the old district municipal area there are:

-  1 Superintendent
-  3 Traffic Officers

The following services within the municipal area are rendered:

-  enforcement of by-laws
-  road safety training at schools
-  roadworthy of motor vehicles
-  testing of learner and drivers' licenses
-  escort duties
-  traffic safety enforcement
-  accident control
-  safety education at businesses;
-  issuing of warrants of arrest

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deployment in times of disasters and major incidents

We have four vehicle registration and licensing offices in Vredendal, Vanrhynsdorp, Lutzville and Klawer. This division comprises of:

- 1 Senior Officer
- 4 Cashiers of which 2 posts are currently vacant

They are responsible for the following services:

- motor vehicle registration and all related functions
- application and issuing of learner and drivers licenses
- eye testing
- learner's classes

The office of the summons and fines administration is situated in Vredendal with 1 Administration Clerk who is responsible for the following:

- capturing of summonses on the MVS system for provincial and local traffic offenses
- managing and capturing of warrants of arrest on the provincial eNATIS system
- managing the financial administration of fines that are paid
- liaisons with the Public Prosecutor
- managing the case representations
- attending the cash-flow meetings with the National Prosecuting Authority

3.16.2 Highlights: Traffic Services

The table below specifies the highlights for the year:

Highlights	Description
Filling of vacant posts	The vacant posts of four senior traffic officers were filled
Law enforcement training	10 officers received training as peace officers by Gene Louw Traffic College

Table: 120 Traffic Services Highlights

3.16.3 Challenges: Traffic Services

The table below specify the challenge for the year:

Description	Actions to address
Promulgation of by-laws	Assistance from the provincial department must be requested with the promulgation of by-laws

Table: 121 Traffic Services Challenges

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3.16.4 Service Statistics for Traffic Services

The table below specifies the service delivery levels for the year:

Details	2017/18	2018/19
Road traffic accidents handled	526	524
By-Law infringements attended to	260	418
Animals impounded	28	72
Motor vehicle licenses processed	17 872	25 632
Learner driver licenses processed	1 679	1 679
Driver licenses processed	2 650	1 866
Driver licenses issued	3 609	3 598
Fines issued for traffic offenses	1 611 (Municipal) 3 045 (Provincial) 7 259 (Speed)	1 777 (Municipal) 7 938 (Provincial) 17 506 (Speed)
R-value of fines collected	R2 694 387	R4 020 385

Table: 122 Service Statistics for Traffic Services

3.16.6 Capital Expenditure: Public Safety

The table below indicates the capital expenditure relating to Public Safety:

Capital Projects	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Bullet proof jackets	0	60 000	0	100%	0
Upgrading of Vredendal traffic building and test station	250 000	250 000	124 953	(50%)	124 953
Total	250 000	310 000	124 953	(50%)	124 953

Table: 123 Capital Expenditure Public Safety

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3.17 FIRE AND DISASTER MANAGEMENT

Fire Services are rendered in terms of a memorandum of understanding (MOU) with the WCDM. As for disaster management, the Municipality has a Disaster Management Plan which is reviewed annually during the IDP public participation process. We are in a position to carry out our plans and have thus far not had any serious disasters.






COMPONENT G: SPORT AND RECREATION

3.18 SPORT AND RECREATION

3.18.1 Introduction to Sport and Recreation

In terms of our mandate we make facilities, such as sport fields, available to the broader community. The Municipality is responsible for development of the facilities and the upgrade thereof.

The Department is responsible for organising sport events and assisting different sporting codes in the Matzikama area, as well as the maintenance of municipal facilities in our area which consists of the following:

-  10 parks which are maintained according to a weekly schedule including the caravan parks
-  1 sport hall in Vredendal South
-  10 sport fields
-  swimming pool (Vredendal North)
-  swimming pool (Vredendal South)

The parks and sport fields are maintained according to a daily work programme and staff members are also deployed to clean all the halls in the municipal area.

3.18.2 Highlights: Sport and Recreation

The table below specify the highlights for the year:

Highlights	Description
Municipal cricket team	Interaction with other municipalities, national and provincial department's by taking part in matches
Namibian rugby team	Players use the swimming pool as preparation for the rugby match

Table: 124 Sport and Recreation Highlights

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3.18.3 Challenges: Sport and Recreation

The table below specify the challenge for the year:

Description	Actions to address
Availability of grey water	Networks need to be upgraded to utilise grey water to the maximum capacity

Table: 125 Sport and Recreation Challenges

3.18.4 Service Statistics for Sport and Recreation

The table below specifies the service delivery levels for the year:

Type of service	2017/18	2018/19
Community parks		
Number of parks with play park equipment	17	18
Number of wards with community parks	8	8
Swimming pools		
Number of visitors per annum	0	2 100
R-value collected from entrance fees	0	64 100
Camp sites/Resorts		
Number of visitors per annum	3 008	3 825
R-value collected from visitation and/or accommodation fees	2 039 530	1 859 847
Sport fields		
Number of wards with sport fields	8	89

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Type of service	2017/18	2018/19
Number of sport associations utilizing sport fields	5	27
R-value collected from utilization of sport fields	0	426 000
Sport halls		
Number of wards with sport halls	8	8
Number of sport associations utilizing sport halls	7	8
R-value collected from rental of sport halls	15 930	275 000

Table: 126 Service Statistics for Sport and Recreation

3.18.5 Capital: Sport and Recreation

The following table indicates the capital expenditure for this division:

Capital Projects	2018/19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Geysers	0	5 000	5 063	100%	5 063
Upgrade bathroom facilities	0	16 639	0	100%	0
Upgrading Molsvlei halls	0	225 000	218 775	100%	218 775
Upgrading Stofkraal halls	0	225 000	118 441	100%	118 441
Upgrading of community halls	0	13 600	12 570	100%	12 570
Aircon community halls	0	144 350	122 000	100%	122 000
Office equipment	50 000	48 000	46 046	(8%)	46 046
Parks and gardens tools	50 000	25 000	23 290	(53%)	23 290
Irrigation parks and gardens	30 000	10 000	9 131	(70%)	9 131
Hand radios	30 000	26 000	25 600	(15%)	25 600
Furniture for chalets (fridges/stoves/microwave ovens/TV)	100 000	100 000	68 836	(31%)	68 836
Vanrhynsdorp: new outdoor gym	416 279	190 000	190 000	(54%)	190 000
Klawer: new outdoor gym	618 668	350 000	350 000	(43%)	350 000
Geysers - Strandfontein camp sites/chalets	0	55 000	62 172	100%	62 172
Lutzville West small steel pavillion	0	536 566	536 566	100%	536 566
Total	1 294 947	1 970 155	1 788 490	38%	1 788 490

Table: 127 Capital Expenditure 2018/19: Sport and Recreation

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COMPONENT H: CORPORATE POLICY OFFICES AND OTHER SERVICES

3.19 CORPORATE SERVICES

3.19.1 Introduction to Corporate Services

The Directorate Corporate Services comprises of Legal and Administration Services, Human Resources Management and Library Services. Legal and Administration Services comprises of Committee and Office Auxiliary Services and Records and Archive Services.

Directorate Corporate Services provides support services (Committee & Office Auxiliary Services, Records & Archive Services and Human Resources Management) to the different directorates and offices in the Municipality in accordance with relevant legislation, collective agreements and internal policies to enable the Municipality to deliver quality services to our communities.

Human Resources Management and Library Services have been covered extensively in other sections of this report and therefore the under-mentioned highlights and challenges focus on Committee and Office Auxiliary Services, Records and Archive Services only.

3.19.2 Highlights: Corporate Services

The table below specifies the highlights for the year:

Highlights	Description
97.6 % of the approved capital budget for Corporate Services was spent for the year	There was R976 654 budgeted for capital expenditure regarding Corporate Services and 97.6% (R953 349) was spent for the year
The agendas of all Council meetings were distributed in good time to councillors	The agendas of all 10 Council meetings and 6 mayoral committee meetings, were distributed in good time to councillors according to the by-law regulating the conduct of meetings of the Council of Matzikama Municipality
The good quality of all the minutes of Council meetings	There were very few corrections/changes to the minutes of Council meetings when the minutes of previous meetings were confirmed by Council
The disposal of the old records of the Municipality (and former old municipalities) that started to take place	Previously the old records of the Municipality (and former old municipalities) were not disposed, but a routine disposal program of the old records of the Municipality is now in operation
Records of certain sections of the Municipality that were scattered in different locations were moved to the central records storage room/safe at the Vredendal head office	The tender and debtor records of the SCM- and debtors' sections (of the Finance Department) and the building plans of the building management section that were stored in scattered locations of the Municipality were moved to the central records storage room/safe at the Vredendal head office
The installation of 18 and 10 bay proper steel filing cabinets in the central records storage room/safe at the Vredendal head office	The current wooden cabinets and shelves in the central records storage room/safe at the Vredendal head office that does not

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Highlights	Description
	comply with archival requirements were replaced by 18 and 10 bay proper steel filling cabinets

Table: 128 Corporate Services Highlights

3.19.3 Challenges: Corporate Services

The challenges experienced are as follows:

Description	Actions to address
The transfer of all terminated A20 records of all former municipalities to the Western Cape Archives and Records Service	The Municipality must transfer all terminated A20 records of all former municipalities to the Western Cape Archives and Records Service after their approval thereof
The Collaborator software program by which records of the Municipality are electronically distributed must be fully used	All the forms of the Traffic Section of the Municipality must be scanned in the Collaborator software system so that the hard copies of the forms can be disposed

Table: 129 Challenges: Corporate Services

3.19.4 Capital: Corporate Services

The following table indicates the capital expenditure for this division:

Capital Projects	2018/19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Furniture / Appliances for offices	50 000	33 000	31 477	(37%)	31 477
Electronic Fire System	50 000	0	0	(100%)	0
Movable steel shelves for Records Office	175 000	175 000	154 477	(12%)	154 477
Office equipment	0	20 279	19 021	100%	19 021
Total	275 000	228 279	204 975	(25%)	204 975

Table: 130 Capital Expenditure 2018/19: Corporate Services

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3.19.5 Capital Expenditure: Executive and Council

The table below indicates the capital expenditure relating to Executive and Council:

Capital Projects	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Upgrading of municipal head office	900 000	660 000	610 190	(32%)	610 190
Furniture / Appliances for offices	0	50 000	48 229	100%	48 229
Mayoral SUV	0	392 028	392 027	100%	392 027
Aircons - Municipal head office	0	147 650	147 318	100%	147 318
Total	900 000	1 249 678	1 197 765	33%	1 197 765

Table: 131 Capital Expenditure 2018/19: Executive and Council

3.20 FINANCIAL SERVICES

3.20.1 Introduction to Financial Services

The Finance Department is responsible for the Financial Strategy and overall financial management. This department is also responsible for ensuring financial balance in the Municipality, compliance with relevant legislation, regulation and governance practices and the MFMA.

3.20.2 Highlights: Financial Services

The table below specifies the highlights for the year:

Highlights	Description
Audit Opinion: Financially unqualified with no other matters (Clean Audit Opinion)	The Municipality achieved its 4 th consecutive clean audit
mSCOA Implementation	The Municipality successfully complied with the financial-reporting regulatory reform and the data strings reporting to National Treasury

Table: 132 Financial Services Highlights

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3.20.3 Challenges: Financial Services

The table below specifies the challenge for the year:

Description	Actions to address
The core Financial Management System (FMS) utilizes a 3 rd party Asset Management System (AMS)	The FMS needs to implement an AMS within the core system

Table: 133 Financial Services Challenges

3.20.4 Capital: Financial Services

The following table indicates the capital expenditure for this division:

Capital Projects	2018/19				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Furniture	50 000	55 000	49 117	(2%)	49 117
Laptops	25 000	25 000	0	(100%)	0
Computer equipment and printers	250 000	570 000	422 007	69%	422 007
Systems/PC Upgrading	100 000	0	0	(100%)	0
Total	425 000	650 000	471 124	11%	471 124

Table: 134 Capital Expenditure 2018/19: Financial Services

3.21 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

3.21.1 Introduction to ICT Services

The ICT Department is responsible to plan, coordinate and render ICT services to the Municipality to ensure efficient operations and support. Backups are done daily and stored for safekeeping. The maintenance of the municipal system and financial systems are outsourced. The internal network and computer hardware are maintained by the ICT department.

ICT is also responsible for the provisioning of a VOIP telephone system, mailbox creation and setup on user's PC's, client-side software setup and support, printer setup and user configuration. The network printer's hardware is maintained by the hardware vendors.

User's data backups are managed by the ICT Department in that users have folders on the Municipality file server, this server is included in the daily and weekly backups to a second hardware device and finally to tape.

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3.21.2 Highlights: ICT Services

The highlight for the year under review was as follow:

Highlights	Description
ICT gained access to private branch exchange (PBX) and telephone system hosted by a service provider	ICT Department had basic training on telephone PBX system and was given access to the PBX system. This allows ICT to manage their phones much more affectively and with shorter turnaround times on new setups and support

Table: 135 Highlights: ICT Services

3.21.3 Challenges: ICT Services

Challenges that are experienced includes the following:

Description	Actions to address
Possible Microsoft licensing shortfall for server-side software	Actions have been addressed to submit to a voluntary Microsoft audit, to address the shortfall. Any software licence shortfall is the result of a historical implementation of licences without due consideration of the correct licence requirements
No backup test server to restore many virtual machines (VM's) and test integrity of backup processes. Backup hardware reaching capacity and needs to be increased	This matter has been escalated and is being addressed by an urgent procurement process of obtaining the necessary backup server
Old PC's and laptops unable to join the municipal domain for effective control and management. PC's are operating on unsupported versions of operating system	Replace all outdated PC's by procurement of new PC's after a procurement process/tender
Budgetary constrains	Budgetary provision must be made to address outdated and insufficient hardware
Network congestion increasing	The current network is under strain and an urgent investigation needs to be undertaken to ascertain identify the cause of congestion

Table: 136 Challenges: ICT Services

3.22 HUMAN RESOURCES (HR)

3.22.1 Introduction to Human Resources

The Matzikama Municipality currently employs 446 permanent officials, who individually and collectively contribute to the achievement of municipal objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.

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3.22.2 Highlights: Human Resources

The table below specifies the highlights for the year:

Highlights	Description
Recruitment and selection	The successful appointment of 62 new permanent employees and the promotion of 19 employees
Employee wellness	Wellness Day for employees was held in October 2018 and the implementation of a new Substance Abuse Policy
Internship	Successful implementation of the internship programme for newly graduates and job shadowing for N6 students
Training	106 Employees received training in the 2018/19 financial year and 0.6% of the Municipality's salary budget was spent on implementing its Workplace Skills Plan
The development of a HR leave policy	The development of a policy on the encashment of leave

Table: 137 Human Resources Highlights

3.22.3 Challenges: Human Resources

The table below specifies the challenges for the year:

Challenges	Actions to address
Appointment of a qualified Skills Development Facilitator	Recruitment process to be finalised
Performance management of lower level employees	Implementation of performance management for lower level employees (and not only for senior municipal managers)
The revision and development of certain HR policies	The revision, development and submission of certain HR policies to Council for approval after consultation with the Local Labour Forum
The TASK Grading Salary System	To better the inconsistency of the evaluation of TASK Job Descriptions, the disparities of TASK grades between similar posts and the unhappiness of employees about it

Table: 138 Human Resources Challenges

3.23 PROCUREMENT SERVICES

3.23.1 Highlights: Procurement Services

The table below specifies the highlight for the year:

Highlight	Description
Clean Audit for 2017/18 financial year	The Municipality maintained its Audit Opinion: Financially unqualified with no other matters (Clean Audit Opinion)

Table: 139 Procurement Services Highlights

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3.23.2 Challenges: Procurement Services

The table below specifies the challenge for the year:

Description	Actions to address
Suppliers that don't understand and comply with Department of Trade and Industry (DTI) Regulations and standards	Information sessions with suppliers

Table: 140 Procurement Services Challenges

3.23.3 Details of Deviations for Procurement Services

The table below indicates a summary of deviations from the SCM Policy:

Type of deviation	Number of deviations	Value of deviations R
Clause 36(1)(a)(i)-Emergency	170	11 621 981
Clause 36(1)(a)(ii)-Sole Supplier	0	0
Clause 36(1)(a)(vii) ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids	29	24 874 225
Clause 36(1)(a)(viii)- workshop strip and quote	0	0

Table: 141 Statistics of Deviations from the SCM Policy

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COMPONENT I: SERVICE DELIVERY PRIORITIES FOR 2019/20

The main development and service delivery priorities for 2019/20 forms part of the Municipality's Top Layer SDBIP for 2019/20 and are indicated in the table below:

3.24 DEVELOPMENT AND SERVICE DELIVERY PRIORITIES FOR 2019/20

3.24.1 Coordinate, facilitate and stimulate sustainable economic development through strategy, policy and programme development

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL10	Create temporary jobs opportunities through EPWP projects by 30 June 2020	Number of temporary job opportunities created by 30 June 2020	All	55
TL31	Implement the municipal Local Economic Development Strategy by 30 June 2020	The number of LED interventions by 30 June 2020	All	4
TL33	The number of Tourism Development Interventions held by 30 June 2019	Number of Tourism Development Interventions held by 30 June 2019	All	4
TL34	Complete the Business Development Promotion Policy by 31 December 2020	Business Development Promotion Policy submitted by 31 December 2020	All	1
TL36	Submit the LED Strategy Implementation Plan to Council by 30 October 2019	LED Strategy Implementation Plan submitted to Council by 30 October 2019	All	1

Table: 142 Coordinate, facilitate and stimulate sustainable economic development through strategy, policy and programme development

3.24.2 Develop and sustain our spatial, natural and built environment

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL29	Submit the reviewed Draft Disaster Management Plan to Council by 31 March 2020	Reviewed Draft Disaster Management Plan submitted to Council by 31 March 2020	All	1

Table: 143 Develop and sustain our spatial, natural and built environment

3.24.3 Maintain sufficient organizational resources, enhance the involvement of the public in the development and decision-making processes and provide ethical and professional services to support the needs of the communities

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL16	Submit the Annual Performance Report in terms of Section 46 of the Municipal Systems Act to the Auditor-General by 31 August 2019	Report submitted to the Auditor-General by 31 August 2019	All	1
TL17	Submit the Draft Annual Report to Council by 31 January 2020	Draft report submitted to council by 31 January 2020	All	1
TL18	Submit the reviewed Draft IDP to Council by 31 March 2020	Reviewed draft IDP submitted to Council by 31 March 2020	All	1

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Ref	KPI	Unit of Measurement	Ward	Annual Target
TL22	Compile the Risk based Audit Plan (RBAP) for 2020/21 and submit to the Audit Committee by 30 June 2020	RBAP submitted to the Audit Committee by 30 June 2020	All	1
TL23	Complete planned audits in terms of the Risk Based Audit plan by 30 June 2020 {(Planned audits completed divided by the audits planned for the financial year)x100}	% of planned audits completed by 30 June 2020	All	80.00%
TL26	Submit the final reviewed IDP to Council by 31 May 2020	Final reviewed IDP submitted by 31 May 2020.	All	1
TL27	Limit the vacancy rate to less than 10% of budgeted posts by 30 June 2020 {(Actual approved budgeted vacant positions / total budgeted approved posts)x100}	% Vacancy rate by 30 June 2020{(Actual approved budgeted vacant positions / total budgeted approved posts)x100}	All	10.00%
TL30	Submit the Annual EE Report to the Department of Labour by 31 January 2020	EE Report submitted by end of January 2020	All	1
TL32	Cascade Performance Management to Managers by 30 September 2019	Signed Performance Plans for Managers by 30 September 2019	All	14
TL35	The codification and conversion of all municipal policies and by-laws to electronic format by 30 June 2020	All Municipal By-laws and policies codified and converted to electronic format by 30 June 2020	All	1

Table: 144 *Maintain sufficient organizational resources, enhance the involvement of the public in the development and decision making processes and provide ethical and professional services to support the needs of the communities*

3.24.4 Maintain sufficient revenue sources to enable the municipality to meet its constitutional obligations

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL13	Financial viability measured in terms of the municipality's ability to meet its service debt obligations as at 30 June 2020 ((Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Re	% of debt coverage	All	24.00%
TL14	Financial viability measured in terms of the outstanding service debtors as at 30 June 2020 (Total outstanding service debtors/ revenue received for services)	% of outstanding service debtors	All	45.00%
TL15	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2020 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excl	Number of months it takes to cover fix operating expenditure with available cash	All	0.2
TL24	Achieve a debtors payment percentage of 88% at 30 June 2020 (Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off / Billed Revenue x 100)	Payment % achieved at 30 June 2020	All	88.00%

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Ref	KPI	Unit of Measurement	Ward	Annual Target
TL25	Submit the Annual Financial Statements for 2018/19 by 31 August 2019 to the Office of the Auditor-General	Financial statements submitted by 31 August 2018 to the Office of the Auditor-General	All	1

Table: 145 Maintain sufficient revenue sources to enable the municipality to meet its constitutional obligations

3.24.5 Provide municipal basic services to meet demands of growing population and development challenges

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL1	Number of formal residential properties which are billed for water or have prepaid meters that is connected to the municipal water infrastructure network as at 30 June 2020	Number of residential properties which are billed for water or have pre-paid meters as at 30 June 2020	All	9 145
TL2	Number of formal residential properties which are billed for electricity or have prepaid meters as at 30 June 2020 (excluding Eskom areas)	Number of residential properties which are billed for electricity or have pre-paid meters as at 30 June 2020 (Excluding Eskom areas)	All	9 771
TL3	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) which are billed for sewerage as at 30 June 2020	Number of residential properties which are billed for sewerage as at 30 June 2020	All	8 600
TL4	Number of formal residential properties which are billed for refuse removal as at 30 June 2020	Number of residential properties which are billed for refuse removal as at 30 June 2020	All	10 035
TL5	Provide free basic water to indigent households earning less than R5040 as at 30 June 2020	Number of households receiving free basic water as at 30 June 2020	All	1 351
TL6	Provide free basic electricity to indigent households earning less than R5040 as at 30 June 2020	Number of households receiving free basic electricity as at 30 June 2020	All	535
TL7	Provide free basic sanitation to indigent households earning less than R5040 as at 30 June 2020	Number of households receiving free basic sanitation as at 30 June 2020	All	2 516
TL8	Provide free basic refuse removal to indigent households earning less than R5040 as at 30 June 2020	Number of households receiving free basic refuse removal as at 30 June 2020	All	2 698
TL9	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2020 {(Actual amount spent on projects / Total amount budgeted for capital projects)X100}	% of the municipal budget spent by 30 June 2020	All	90.00%
TL19	Limit unaccounted for electricity to less than 12% by 30 June 2020 {(Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or Generated} x 100}	% unaccounted electricity at 30 June 2020 {(Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or Generated} _ 100}	All	12.00%

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Ref	KPI	Unit of Measurement	Ward	Annual Target
TL20	Limit unaccounted for water to less than 15% by 30 June 2020 {(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified x 100}	% unaccounted water at 30 June 2020 {(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified _ 100}	All	15.00%
TL21	95% of water samples comply with SANS241 micro biological indicators {(Number of water samples that comply with SANS21 indicators/Number of water samples tested)x100}	% of water samples compliant	All	95.00%

Table: 146 Provide municipal basic services to meet demands of growing population and development challenges

3.24.6 Provide opportunities to officials and councillors for the development of professional and leadership skills and enhance employment equity in the organization

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL11	Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan as at 30 June 2020	Number of people employed in the three highest levels of management as at 30 June 2020	All	1
TL12	The percentage of the municipality's personnel budget actually spent on implementing its workplace skills plan by 30 June 2020 [(Actual amount spent on training/total personnel budget)x100]	% of personnel budget actually spent on implementing its workplace skills plan by 30 June 2020 [(Actual amount spent on training/total personnel budget)x100]	All	0.40%
TL28	Submit the Workplace Skills Plan to Local Government SETA by 31 May 2020	Work Skills Plan submitted to LGSETA by 31 May 2020	All	1

Table: 147 Provide opportunities to officials and councillors for the development of professional and leadership skills and enhance employment equity in the organization

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CHAPTER 4

4.1 NATIONAL KEY PERFORMANCE INDICATORS – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

The following table indicates the Municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and Section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area – Municipal Transformation and Organizational Development.

KPA & Indicators	Municipal Achievement	Municipal Achievement
	2017/18	2018/19
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	1	1
The percentage of the municipality's salary budget actually spent on implementing its workplace skills plan	0.50%	0.60%

Table: 148 National KPIs– Municipal Transformation and Organisational Development

4.2 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Matzikama Municipality currently employs 446 permanent officials, who individually and collectively contribute to the achievement of municipal objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.

4.2.1 Employment Equity

The Employment Equity (EE) Act (1998) Chapter 3, Section 15(1) states that affirmative action measures are measures designed to ensure that suitable qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce of a designated employer. The national performance indicator also refers to: "Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan".

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The tables below specify the targets of the Municipality and the actual performance as at 30 June 2018/19

African			Coloured			Indian			White		
Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach
36	40	Yes	335	371	Yes	9	0	No	67	35	No

Table: 149 Employment Equity Targets and Actual Performance by Racial Classification

Male			Female			Disability		
Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach
235	295	Yes	211	151	No	10	9	No

Table: 150 Employment Equity Targets and Actual Performance by Gender Classification

a) Employment Equity vs. Population

Description	African	Coloured	Indian	White	Total
Population numbers	5 707	50 159	1 343	9 938	67 147
% Population	8%	75%	2%	15%	100
Number for positions filled	40	371	0	35	446
% for Positions filled	9%	83%	0%	8%	100%

Table: 151 EE Population 2018/19 (including non-permanent officials)

b) Specific Occupational Categories - Race

The table below indicates the number of employees by race within the specific occupational categories:

Posts filled									
Occupational Categories	Male				Female				Total
	A	C	I	W	A	C	I	W	
Legislators, senior officials and managers	0	7	0	6	0	3	0	3	19
Professionals	1	7	0	1	0	4	0	9	22
Technicians and associate professionals	1	13	0	1	1	5	0	2	23
Clerks	0	14	0	0	2	37	0	6	59
Service and sales workers	2	16	0	1	1	26	0	3	49
Craft and related trades workers	4	14	0	3	0	0	0	0	21
Plant and machine operators and assemblers	4	45	0	0	0	0	0	0	49
Elementary occupations	20	135	0	0	4	45	0	0	204
Total permanent	32	251	0	12	8	120	0	23	446
Non- permanent	0	0	0	0	0	0	0	0	0
Grand total	32	252	0	12	8	119	0	23	446

Table: 152 Occupational Categories

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c) Specific Occupational Levels - Race

The table below categorises the number of employees by race within the occupational levels:

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	0	0	0	1	0	0	0	0	1
Senior management	0	2	0	1	0	0	0	0	3
Professionally qualified and experienced specialists and mid- management	1	14	0	6	0	5	0	10	36
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	2	54	0	4	2	33	0	10	105
Semi-skilled and discretionary decision making	22	147	0	0	3	61	0	3	236
Unskilled and defined decision making	7	34	0	0	3	21	0	0	65
Total permanent	32	251	0	12	8	120	0	23	446
Non- permanent employees	0	0	0	0	0	0	0	0	0
Grand total	32	251	0	12	8	120	0	23	446

Table: 153 Occupational Levels

d) Departments - Race

The following table categorises the number of employees by race within the different departments:

Department	Male				Female				Total
	A	C	I	W	A	C	I	W	
Municipal Manager	0	4	0	1	1	5	0	3	14
Corporate Services	1	4	0	1	1	22	0	6	35
Financial Services	1	17	0	3	1	40	0	9	71
Community Development Services	13	88	0	3	2	29	0	5	140
Infrastructure Services	18	142	0	4	2	20	0	0	186
Total permanent	33	255	0	12	7	116	0	23	446
Non- permanent	0	0	0	0	0	0	0	0	0
Grand total	33	255	0	12	7	116	0	23	446

Table: 154 Department - Race

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4.2.2 Vacancy Rate

The approved organogram for the Municipality had 484 posts for the 2018/19 financial year. The actual permanent positions filled are 446 as indicated in the tables below by post level and by functional level. 38 Budgeted posts were vacant at the end of 2018/19, resulting in a vacancy rate of 7%.

Below is a table that indicates the vacancies (as per organogram) within the Municipality:

Per Post Level		
Post level	Filled	Vacant
MM & MSA section 57 & 56	4	1
Middle management	13	2
Admin Officers	130	4
General Workers	191	5
Total	338	12
Per Functional Level		
Functional area	Filled	Vacant
Municipal Manager	14	1
Corporate Services	35	6
Financial Services	71	2
Community Development Services	140	10
Infrastructure Services	186	19
Total	446	38

Table: 155 Vacancy Rate per Post and Functional Level

The table below indicates the number of staff per level expressed as total positions and current vacancies expressed as full-time staff equivalents:

Salary Level	Number of current critical vacancies	Number total posts as per organogram	Vacancy job title	Vacancies as a proportion of total posts per category
Municipal Manager	0	1	n/a	0%
Chief Financial Officer	1	1	Director Financial Services	100%
Other Section 57 Managers	0	3	n/a	0%
Senior Management	2	15	Manager: Legal and Administrative Services Manager: LED and Tourism	13%
Highly skilled supervision	0	30	n/a	0%

Table: 156 Critical Vacancies

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4.2.3 Turnover Rate

A high employee turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional memory/organizational knowledge. Below is a table that specifies that the employee turnover rate for the Municipality increased from 5.25% in 2017/18 to 5.74% in 2018/19.

The table below indicates the turnover rate for the last two financial years:

Financial year	Total number of Appointments at the end of each Financial Year	New Appointments	Number of Terminations During the Year	Turn-over Rate
2017/18	406	33	23	5.74%
2018/19	446	62	22	5.16%

Table: 157 Turnover Rate

4.3 MANAGING THE MUNICIPAL WORKFORCE

Managing the municipal workforce refers to analyzing and coordinating employee behavior.

4.3.1 Injuries

An occupational injury is a personal injury, disease or death resulting from an occupational accident. Compensation claims for such occupational injuries are calculated according to the seriousness of the injury/disease and can be costly to a municipality. Occupational injury will influence the loss of man hours and therefore financial and productivity performance.

The injury rate decreased from 44 employees injured in the 2017/18 financial year to 30 employees in the 2018/19 financial year.

The table below indicates the total number of injuries within the different directorates for 2017/18 and 2018/19:

Directorates	2017/18	2018/19
Municipal Manager	0	0
Corporate Services	0	0
Financial Services	4	1
Community Development Services	15	16
Technical Services	25	13
Total	44	30

Table: 158 Injuries

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4.3.2 Sick Leave

The number of day's sick leave taken by employees has service delivery and cost implications. The monitoring of sick leave identifies certain patterns or trends. Once these patterns are identified, corrective action can be taken.

The total number of sick leave days taken during the 2018/19 financial year increased drastically when compared to the 2017/18 financial year.

The table below indicates the total number sick leave days taken within the different directorates:

Department	2017/18	2018/19
Municipal Manager	11	52
Corporate Services	137	541
Financial Services	158	501
Community Development Services	486	1 186
Technical Services	908	1 992
Total	1 699	4 272

Table: 159 Sick Leave

4.3.3 HR Policies and Plans

The Human Resource Management policies and plans provide guidance for fair and consistent staff treatment and a consistent approach to the management of staff.

The table below shows the HR policies and plans that were approved and/or revised in 2018/19:

Approved Policies	
Name of Policy	Date Approved/ Revised
Payment of Furniture Removal Costs regarding New Appointments	31 July 2001
Smoking in the Workplace	30 June 2003
Misuse of Intoxicated Substances	30 June 2003
HIV / AIDS in the Workplace	30 June 2003
Sexual Harassment in the Workplace	30 June 2003
Overtime Work by Employees	22 February 2005
Transport Allowance Scheme for Essential Users	6 May 2005
Vehicle Scheme for Senior Officials	31 October 2005
Procedure for the Appointment of Personnel	1 August 2009
Recruitment of "Scarce Skills"	13 April 2010
Induction Policy	31 January 2011
Performance Management Policy	2 August 2011
Study Bursaries Policy	29 October 2013

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Approved Policies	
Name of Policy	Date Approved/ Revised
Employee Assistance Programme Policy	6 December 2013
Acting Allowance Policy	29 May 2015
Use of Telephones and Cell Phones at the Workplace	8 June 2015
Consent regarding Private Work to Employees	27 October 2015
Clothing (in the Workplace) Policy	29 March 2016
Revised Subsistence and Travel Policy	31 May 2016
Staff Retention Policy	28 June 2016
Revised Standby Service and Standby Allowance Policy	30 June 2017
Revised Procedure for the Appointment of Personnel	30 June 2017
Revised Scarce Skills Policy	30 June 2017
Goodwill Policy in the Event of Death, Hospitalization of Employees or the Birth of Children of Employees and in the case of Deaths of Employees' Next of Kin	26 September 2017
Revised Subsistence and Travel Policy	29 May 2018

Table: 160 *HR Policies and Plans*

4.4 CAPACITATING THE MUNICIPAL WORKFORCE

Section 68(1) of the MSA states that municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way. For this purpose, the human resource capacity of a municipality must comply with the Skills Development Act (SDA), 1998 (Act No. 81 of 1998), and the Skills Development Levies Act, 20 1999 (Act No. 28 of 1999).

4.4.1 Skills Matrix

The table below indicates the number of employees that received training (skills programs, short courses, etc.) in the year under review:

Management level	Gender	Number of employees Identified for Training at the Start of the Year	Number of Employees that Received Training as Identified in WSP	Number of Employees that Received <i>Adhoc</i> Training
MM and S57	Female	0	0	0
	Male	0	0	5
Legislators, senior officials and managers	Female	0	0	2
	Male	4	4	4
Professionals	Female	6	2	6
	Male	8	6	9
Associate professionals and Technicians	Female	0	0	0
	Male	7	7	2

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Management level	Gender	Number of employees Identified for Training at the Start of the Year	Number of Employees that Received Training as Identified in WSP	Number of Employees that Received <i>Adhoc</i> Training
Clerks	Female	18	3	7
	Male	4	1	5
Service and sales workers	Female	7	0	7
	Male	13	3	1
Craft and related trade workers	Female	0	0	0
	Male	6	2	0
Plant and machine operators and assemblers	Female	0	0	0
	Male	12	6	12
Elementary occupations	Female	4	2	1
	Male	5	4	5
Sub total	Female	35	7	23
	Male	59	33	43
Total		94	40	66

Table: 161 Skills Matrix

4.4.2 Skills Development – Training Provided

The Skills Development Act (1998) and the MSA, require employers to supply employees with the necessary training in order to develop its human resource capacity. Section 55(1)(f) states that as head of administration the Municipal Manager is responsible for the management, utilization and training of staff.

Occupational categories	Gender	Training provided within the reporting period							
		Learnerships		Skills programmes & other short courses		Adhoc training	Total		
		Actual	Target	Actual	Target	Actual	Actual	Target	% Variance
MM and S57	Female	0	0	0	0	0	0	0	0
	Male	0	0	0	0	5	5	0	0
Legislators, senior officials and managers	Female	0	0	0	0	2	2	0	0
	Male	0	0	4	4	4	8	4	100%
Professionals	Female	0	0	2	6	6	8	6	33%
	Male	0	1	6	7	9	15	8	88%
Technicians and associate professionals	Female	0	0	0		0	0	0	0
	Male	0	1	7	6	2	9	7	29%
Clerks	Female	0	1	3	17	7	10	18	(44%)
	Male	0	3	1	1	5	6	4	50%

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Occupational categories	Gender	Training provided within the reporting period							
		Learnerships		Skills programmes & other short courses		Adhoc training	Total		
		Actual	Target	Actual	Target	Actual	Actual	Target	% Variance
Service and sales workers	Female	0	0	0	7	7	7	7	0%
	Male	0	5	3	8	1	4	13	(69%)
Craft and related trade workers	Female	0	0	0	0	0	0	0	0
	Male	0	0	2	6	0	2	6	(67%)
Plant and machine operators and assemblers	Female	0	0	0	0	0	0	0	0
	Male	0	6	6	6	12	18	12	50%
Elementary occupations	Female	0	1	2	3	1	3	4	(25%)
	Male	0	1	4	4	5	9	5	80%
Sub total	Female	0	2	7	33	23	30	35	(14%)
	Male	0	17	33	42	43	76	59	29%
Total		0	19	40	75	66	106	94	-

Table: 162 Skills Development

4.4.3 Skills Development - Budget Allocation

The table below indicates that a total amount of R855 000 was allocated to the workplace skills plan and that 99% of the total amount was spent in the 2018/19 financial year:

	Total personnel budget	Total Allocated	Total Spend	% Spend
Year	R'			%
2017/18	R118 771 553	R630 000	R598 371	95%
2018/19	R 138 398 036	R855 000	R844 926	99%

Table: 163 Budget Allocated and Spent for Skills Development

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4.4.4 MFMA Competencies

In terms of Section 83(1) of the MFMA, the accounting officer, senior managers, the chief financial officer, non-financial managers and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the MFMA. National Treasury has prescribed such financial management competencies in Government Notice 493 dated 15 June 2007.

To assist the above-mentioned officials to acquire the prescribed financial competencies, National Treasury, with the collaboration of various stakeholders and role players in the local government sphere, developed an outcomes based NQF Level 6 qualification in municipal finance management. In terms of the Government Notice 493 of 15 June 2007, “(1) No municipality or municipal entity may, with effect 1 January 2013 (exempted to 30 September 2015 in terms of Government Notice 179 of 14 March 2014), employ a person as a financial official if that person does not meet the competency levels prescribed for the relevant position in terms of these Regulations.”

8 Employees were identified to obtain the above-mentioned qualification and prescribed competencies.

The table below provides details of the financial competency development progress as required by the regulation:

Description	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials				
Accounting officer	1	1	1	1
Chief financial officer	0	0	0	0
Senior managers	3	2	3	2
Any other financial officials	3	3	0	3
Supply Chain Management Officials				
Heads of supply chain management units	1	0	0	0
Supply chain management senior managers	0	0	0	0
Total	8	6	4	6

Table: 164 Budget Allocated and Spent for Skills Development

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4.5 MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

Section 66 of the MSA states that the accounting officer of a municipality must report to the Council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits. This is in line with the requirements of the Public Service Regulations, (2002), as well as National Treasury Budget and Reporting Regulations SA22 and SA23.

4.5.1 Personnel Expenditure

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and allowance for the past two financial years and that the municipality is well within the national norm of between 35 to 40%:

Financial year	Total Expenditure Salary and Allowances	Total Operating Expenditure	Percentage
	R'000	R'000	
2017/18	119 761	287 071	41.72%
2018/19	147 412	337 527	43.67%

Table: 165 Personnel Expenditure

Below is a summary of Councillor and staff benefits for the year under review:

Financial year	2017/18	2018/19		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R			
Councillors (Political Office Bearers plus Other)				
Salary	5 816 995	6 141 947	5 824 981	5 824 982
Pension Contributions	182 997	192 690	187 777	187 775
Medical Aid Contributions	0	0	0	0
Motor Vehicle Allowance	228 000	241 908	318 251	318 251
Cell Phone Allowance	611 320	649 332	603 996	603 994
Sub Total	6 839 312	7 225 878	6 935 005	6 935 002
% increase/ (decrease)	-	6.09%	(4.03%)	-
Senior Managers of the Municipality				
Salary	4 491 523	4 520 838	4 465 703	4 705 711
Pension Contributions	304 624	282 259	179 605	264 403
Medical Aid Contributions	87 104	47 307	50 996	91 548
Motor Vehicle Allowance	789 291	1 244 079	1 231 673	1 231 672
Cell Phone Allowance	44 314	0	11 632	69 840
Performance Bonus	734 956	767 184	971 499	821 943
Other Benefits or Allowances	1 790 943	9 443	49 894	9 448

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Financial year	2017/18	2018/19		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R			
Sub Total	8 242 755	6 871 110	6 961 002	7 194 565
% increase/ (decrease)	-	(16.44%)	1.31%	3.35%
Other Municipal Staff				
Basic Salaries and Wages	71 798 637	76 581 552	84 690 709	83 400 471
Pension Contributions	11 330 338	13 276 267	13 661 732	13 362 073
Medical Aid Contributions	3 376 763	3 639 358	3 649 629	3 580 019
Motor Vehicle Allowance	4 758 265	5 295 678	6 432 533	6 488 457
Cell Phone Allowance	189 449	242 000	369 182	373 551
Housing Allowance	200 553	799 515	874 596	260 679
Overtime	5 471 967	7 255 754	7 071 295	7 525 014
Other Benefits or Allowances	7 473 832	10 199 053	16 664 142	18 292 702
Sub Total	104 599 804	117 289 177	133 413 818	133 282 965
% increase/ (decrease)	-	12.13%	13.75%	(0.10%)
Total Municipality	119 681 871	131 383 165	147 309 825	147 412 532
% increase/ (decrease)	-	9.78%	12.12%	0.07%

Table: 166 Personnel Expenditure

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CHAPTER 5

This chapter provides details regarding the financial performance of the Municipality for the 2018/19 financial year.

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

The Statement of Financial Performance provides an overview of the financial performance of the Municipality and focuses on the financial health of the Municipality.

5.1 FINANCIAL SUMMARY

The table below indicates the summary of the financial performance for the 2018/19 financial year:

The table below shows a summary of performance against budgets:

Financial Summary						
R'000						
Description	2017/18	2018/19			2018/19 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Financial Performance						
Property rates	44,727	47,103	47,103	43,225	-8.97	-8.97
Service charges	140,281	170,656	177,644	158,560	-7.63	-12.04
Investment revenue	2,498	1,632	3,532	3,312	50.72	-6.65
Transfers recognised - operational	59,053	64,089	68,476	64,102	0.02	-6.82
Other own revenue	26,581	30,039	56,217	57,594	47.84	2.39
Total revenue (excluding capital transfers and contributions)	273,139	313,520	352,973	326,793	4.06	-8.01
Employee costs	112,843	122,493	138,398	138,632	11.64	0.17
Remuneration of councilors	6,839	7,226	6,935	6,935	-4.19	0.00
Depreciation & asset impairment	13,881	15,030	16,277	14,588	-3.03	-11.58
Finance charges	8,242	10,099	7,625	8,231	-22.69	7.36
Materials and bulk purchases	96,141	106,145	107,541	103,984	-2.08	-3.42
Transfers and grants	1,428	1,511	1,537	1,249	-21.00	-23.01
Other expenditure	50,725	50,803	74,517	55,766	8.90	-33.62
Total expenditure	290,099	313,308	352,830	329,386	4.88	-7.12
Surplus/(deficit)	(16,960)	213	143	(2,593)	108.20	105.51
Transfers recognised - capital	35,858	40,317	52,625	39,416	-2.29	-33.51
Contributions recognised - capital & contributed assets	8	5,000	5,000	31,968	84.36	84.36
Surplus/(deficit) after capital transfers & contributions	18,906	45,530	57,768	68,791	33.81	16.02
Capital Expenditure & Funds Sources						
Capital Expenditure						

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Financial Summary						
R'000						
Description	2017/18	2018/19			2018/19 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Transfers recognised - capital	31,475	40,317	57,625	34,100	-18.23	-68.99
Public contributions & donations	0	5,000	0	0	0	0
Borrowing	0	10,000	10,000	9,572	-4.47	-4.47
Internally generated funds	9,179	4,545	5,646	4,047	-12.30	-39.50
Total sources of capital funds	40,655	59,862	73,271	47,719	-25.45	-53.55
Financial Position						
Total current assets	78,042	57,452	61,759	72,591	20.86	14.92
Total non-current assets	642,490	706,767	709,622	731,973	3.44	3.05
Total current liabilities	80,507	34,167	62,776	87,043	60.75	27.88
Total non-current liabilities	113,917	122,146	118,658	122,623	0.39	3.23
Community wealth/equity	526,107	607,906	589,947	594,898	-2.19	0.83
Cash Flows						
Net cash from (used) operating	81,502	57,296	36,744	33,229	-72.43	-10.58
Net cash from (used) investing	(37,610)	(49,309)	(62,718)	(48,863)	-0.91	-28.35
Net cash from (used) financing	(1,555)	196	4,115	607	67.62	-578.26
Cash/cash equivalents at the year end	46,453	27,869	24,593	31,425	11.32	21.74
Cash Backing/Surplus Reconciliation						
Cash and investments available	46,453	27,869	24,593	31,425	11.32	21.74
Application of cash and investments	(20,434)	(5,228)	18,820	(25,530)	79.52	173.72
Balance - surplus (shortfall)	26,018	33,096	5,773	5,894	-461.51	2.05
Asset Management						
Asset register summary (WDV)	574,328	706,685	709,494	643,264	-9.86	-10.30
Depreciation & asset impairment	13,881	15,030	16,277	14,588	-3.03	-11.58
Renewal of existing assets	9,039	10,000	11,068	7,032	-42.22	-57.41
Repairs and maintenance	8,829	11,479	12,913	9,733	-17.93	-32.66
Free Services						
Cost of free basic services provided	9,705	9,724	10,376	12,520	22.33	17.12
Revenue cost of free services provided	535	3,235	3,235	3,235	0.00	0.00
Households Below Minimum Service Level						
Water	2	3	3	3	1.34	1.34
Sanitation/sewerage	3	3	3	3	7.68	7.68
Energy	1	3	3	3	7.68	7.68
Refuse	3	3	3	3	7.68	7.68
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

Table: 167 Financial Performance 2018/19

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Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff.	%
	R'000				R'000			
2017/18	349,764	309,006	(40,759)	-12	299,160	290,099	9,060	3
2018/19	410,598	398,177	(12,421)	-3	352,830	329,386	23,444	7

Table: 168 Performance Against Budgets

5.1.1 Revenue Collection by Vote

The table below indicates the revenue collection performance by vote:

Vote Description	2017/18	2018/19			2018/19 % Variance	
	Actual(Audited Outcome)	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000				%	
Vote 1 - Council & Executive	231	0	27	27	100.00	0.00
Vote 2 - Financial Services	127,577	151,610	176,744	158,034	4.06	-11.84
Vote 3 - Corporate Services	1,508	7,625	7,676	6,985	-9.17	-9.90
Vote 4 - Community Development Services	47,172	16,903	34,109	26,646	36.57	-28.01
Vote 5 - Infrastructure Services	132,518	182,699	192,042	206,486	11.52	7.00
Total Revenue by Vote	309,006	358,838	410,598	398,177	9.88	-3.12

Table: 169 Revenue by Vote

5.1.2 Revenue Collection by Source

The table below indicates the revenue collection performance by source for the 2018/19 financial year:

Description	2017/18	2018/19			2018/19 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000				%	
Property rates	44,727	47,103	47,103	43,225	-8.97	-8.97
Property rates - penalties & collection charges	0	0	0	0	0	0
Service Charges - electricity revenue	100,072	123,171	123,171	108,452	-13.57	-13.57
Service Charges - water revenue	11,016	15,308	22,296	19,487	21.44	-14.42
Service Charges - sanitation revenue	14,252	15,919	15,919	15,268	-4.27	-4.27
Service Charges - refuse revenue	14,941	16,258	16,258	15,353	-5.89	-5.89
Service Charges - other	0	0	0	0	0	0
Rentals of facilities and equipment	1,597	1,513	2,338	2,290	33.96	-2.06
Interest earned - external investments	2,498	1,632	3,532	3,312	50.72	-6.65
Interest earned - outstanding debtors	2,835	3,285	4,414	4,900	32.96	9.92
Dividends received	0	0	0	0	0	0
Fines	10,835	2,594	15,794	16,447	84.23	3.97

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Description	2017/18	2018/19			2018/19 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000				%	
Licences and permits	1,302	1,126	1,127	1,010	-11.49	-11.49
Agency services	3,285	3,234	3,534	3,369	4.00	-4.91
Transfers recognised - operational	59,053	64,089	68,476	64,102	0.02	-6.82
Other revenue	6,241	7,734	18,458	29,468	73.75	37.36
Gains on disposal of PPE	486	10,553	10,553	110	-9513.39	-9513.39
Total Revenue (excluding capital transfers and contributions)	273,139	313,520	352,973	326,793	4.06	-8.01

Table: 170 Revenue by Source

5.1.3 Operational Services Performance

The table below indicates the operational services performance for the 2018/19 financial year:

Financial Performance of Operational Services						
Description	2017/18	2018/19			2018/19 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000				%	
Operating Cost						
Water	(6,476)	(5,454)	(2,072)	(2,098)	-159.98	1.23
Waste water (sanitation)	1,489	2,000	4,264	2,819	29.07	-51.24
Electricity	2,343	17,616	11,752	3,349	-425.97	-250.88
Waste management	(7,312)	(5,752)	(6,645)	(8,759)	34.33	24.14
Housing	(445)	(1,098)	(1,067)	(1,181)	7.03	9.63
Component A: sub-total	(10,400)	7,311	6,232	(5,869)	224.57	206.18
Roads and stormwater	(21,217)	(24,772)	(27,899)	6,802	464.18	510.15
Component B: sub-total	(21,217)	(24,772)	(27,899)	6,802	464.18	510.15
Planning	(3,737)	(4,789)	(5,345)	(7,543)	36.51	29.15
Local Economic Development	(4,137)	(544)	331	349	255.65	5.20
Tourism	(1,495)	(1,587)	(1,826)	(1,660)	4.41	-9.99
Component C: sub-total	(9,369)	(6,920)	(6,839)	(8,854)	21.84	22.75
Libraries	69	29	(26)	(856)	103.43	97.01
Cemeteries	1	(222)	66	(25)	-786.11	362.12
Community Halls and Facilities	(5,992)	(7,237)	(11,495)	(10,562)	31.48	-8.83
Child Care, Aged Care Social Programmes	0	0	0	0	07	0
Component D: sub-total	(5,922)	(7,429)	(11,455)	(11,442)	35.07	-0.11
Environmental Protection	0	0	0	0	07	0
Component E: sub-total	0	0	0	0	0	0
Traffic Services and Law Enforcement	(2,940)	(6,338)	(195)	(4,189)	-51.31	95.35

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Financial Performance of Operational Services						
Description	2017/18	2018/19			2018/19 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000				%	
Operating Cost						
Component F: sub-total	(2,940)	(6,338)	(195)	(4,189)	-51.31	95.35
Sport and Recreation	(3,771)	(4,926)	(4,771)	(4,786)	-2.93	0.31
Component G: sub-total	(3,771)	(4,926)	(4,771)	(4,786)	-2.93	0.31
Financial Services	100,298	116,786	137,877	130,228	10.32	-5.87
Corporate Services	(13,822)	(14,083)	(17,814)	(17,261)	18.41	-3.20
Executive and council	(13,950)	(14,100)	(17,368)	(15,838)	10.97	-9.67
Component H: sub-total	72,526	88,604	102,694	97,129	8.78	-5.73
Total Expenditure	18,906	45,530	57,768	68,791	33.81	16.02
In this table operational income (but not levies or tariffs) is offset ageist operational expenditure leaving a net operational expenditure total for each service. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						

Table: 171 Operational Services Performance

5.2 FINANCIAL PERFORMANCE PER MUNICIPAL FUNCTION

The tables below indicate the financial performance per municipal function:

5.2.1 Water Services

Description	2017/18	2018/19			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	11,016	15,308	22,296	19,487	21.44
Expenditure:					
Employees	6,923	8,074	9,018	9,159	11.85
Repairs and Maintenance	964	2,009	1,579	1,084	-85.39
Other	9,604	10,680	13,771	11,343	5.84
Total Operational Expenditure	17,492	20,763	24,368	21,585	3.81
Net Operational (Service) Expenditure	(6,476)	(5,454)	(2,072)	(2,098)	-159.98
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual</i>					

Table: 172 Financial Performance: Water Services

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5.2.2 Waste Water (Sanitation)

Description	2017/18	2018/19			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	14,252	15,919	17,119	16,236	1.95
Expenditure:					
Employees	5,386	5,728	5,037	5,515	-3.86
Repairs and Maintenance	1,218	1,229	1,309	1,207	-1.80
Other	6,159	6,962	6,509	6,694	-4.00
Total Operational Expenditure	12,763	13,919	12,855	13,417	-3.75
Net Operational (Service)	1,489	2,000	4,264	2,819	29.07
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual</i>					

Table: 173 Financial Performance: Waste Water (Sanitation) Services

5.2.3 Electricity

Description	2017/18	2018/19			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	100,072	123,171	123,470	108,452	-13.57
Expenditure:					
Employees	9,297	9,367	9,672	9,762	4.05
Repairs and Maintenance	1,093	1,361	1,577	1,278	-6.47
Other	87,339	94,827	100,469	94,063	-0.81
Total Operational Expenditure	97,729	105,555	111,718	105,103	-0.43
Net Operational (Service)	2,343	17,616	11,752	3,349	-425.97
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual</i>					

Table: 174 Financial Performance: Electricity

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5.2.4 Waste Management

Description	2017/18	2018/19			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	14,983	16,311	16,311	15,369	-6.13
Expenditure:					
Employees	14,385	13,333	14,157	16,960	21.39
Repairs and Maintenance	1,535	1,141	1,541	1,412	19.24
Other	6,375	7,589	7,257	5,756	-31.85
Total Operational Expenditure	22,295	22,063	22,955	24,128	8.56
Net Operational (Service)	(7,312)	(5,752)	(6,645)	(8,759)	34.33
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual</i>					

Table: 175 Financial Performance: Waste Management

5.2.5 Housing

Description	2017/18	2018/19			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	868	344	4,021	527	34.64
Expenditure:					
Employees	740	1,229	1,082	1,092	-12.60
Repairs and Maintenance	1	4	4	0	0
Other	571	209	4,003	615	66.05
Total Operational Expenditure	1,312	1,442	5,088	1,707	15.54
Net Operational (Service)	(445)	(1,098)	(1,067)	(1,181)	7.03
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual</i>					

Table: 176 Financial Performance: Housing

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5.2.6 Roads and Stormwater

Description	2017/18	2018/19			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	1,509	2,250	2,454	34,396	93.46
Expenditure:					
Employees	14,624	17,143	20,314	18,730	8.47
Repairs and Maintenance	2,057	2,495	2,975	2,248	-11.00
Other	6,045	7,385	7,064	6,616	-11.62
Total Operational Expenditure	22,726	27,023	30,353	27,593	2.07
Net Operational (Service)	(21,217)	(24,772)	(27,899)	6,802	464.18
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual</i>					

Table: 177 Financial Performance: Roads and Stormwater

5.2.7 Planning (Development Management Spatial Planning and Environmental Management Building Control and Property Management)

Description	2017/18	2018/19			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	284	494	494	(3,047)	116.21
Expenditure:					
Employees	3,676	3,792	4,352	4,010	5.43
Repairs and Maintenance	0	0	0	0	0
Other	345	1,491	1,487	487	-206.35
Total Operational Expenditure	4,021	5,283	5,838	4,497	-17.49
Net Operational (Service)	(3,737)	(4,789)	(5,345)	(7,543)	36.51
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual</i>					

Table: 178 Financial Performance: Planning

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5.2.8 LED

Description	2017/18	2018/19			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	344	5,000	5,126	5,126	2.46
Expenditure:					
Employees	3,482	4,357	3,325	3,861	-12.83
Repairs and Maintenance	0	0	0	0	0
Other	999	1,187	1,470	916	-29.64
Total Operational Expenditure	4,481	5,544	4,795	4,777	-16.05
Net Operational (Service)	(4,137)	(544)	331	349	255.65
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual</i>					

Table: 179 Financial Performance: LED

5.2.9 Tourism

Description	2017/18	2018/19			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	0	0	0	0	0
Expenditure:					
Employees	523	561	816	656	14.45
Repairs and Maintenance	0	0	0	0	0
Other	973	1,025	1,010	1,003	-2.16
Total Operational Expenditure	1,495	1,587	1,826	1,660	4.41
Net Operational (Service)	(1,495)	(1,587)	(1,826)	(1,660)	4.41
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual</i>					

Table: 180 Financial Performance: Tourism

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5.2.10 Libraries

Description	2017/18	2018/19			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	6,259	7,079	7,011	6,158	-14.96
Expenditure:					
Employees	5,536	6,372	5,994	6,133	-3.90
Repairs and Maintenance	40	35	360	10	-240.38
Other	614	642	682	870	26.19
Total Operational Expenditure	6,189	7,050	7,036	7,013	-0.52
Net Operational (Service)	69	29	(26)	(856)	103.43
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual</i>					

Table: 181 Financial Performance: Libraries

5.2.11 Cemeteries

Description	2017/18	2018/19			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	257	334	334	241	-38.72
Expenditure:					
Employees	11	0	0	30	100.00
Repairs and Maintenance	245	534	221	230	-132.54
Other	0	21	47	6	-241.15
Total Operational Expenditure	255	556	268	266	-109.11
Net Operational (Service)	1	(222)	66	(25)	-786.11
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual</i>					

Table: 182 Financial Performance: Cemeteries

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5.2.12 Community Halls and Facilities

Description	2017/18	2018/19			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	623	441	344	415	-6.22
Expenditure:					
Employees	5,748	6,688	10,654	9,919	32.57
Repairs and Maintenance	70	101	214	179	43.69
Other	797	889	970	879	-1.15
Total Operational Expenditure	6,615	7,678	11,838	10,977	30.05
Net Operational (Service)	(5,992)	(7,237)	(11,495)	(10,562)	31.48
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual</i>					

Table: 183 Financial Performance: Community Halls and Facilities

5.2.13 Traffic and Law Enforcement

Description	2017/18	2018/19			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	16,044	7,600	21,100	21,325	64.36
Expenditure:					
Employees	9,923	10,680	11,645	11,346	5.87
Repairs and Maintenance	180	205	285	267	23.17
Other	8,882	3,053	9,365	13,901	78.04
Total Operational Expenditure	18,985	13,938	21,295	25,514	45.37
Net Operational (Service)	(2,940)	(6,338)	(195)	(4,189)	-51.31
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual</i>					

Table: 184 Financial Performance: Traffic and Law Enforcement

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5.2.14 Corporate Services

Description	2017/18	2018/19			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	1,508	546	666	827	33.96
Expenditure:					
Employees	8,598	6,630	9,341	10,892	39.13
Repairs and Maintenance	158	0	0	0	0
Other	6,574	7,999	9,139	7,196	-11.16
Total Operational Expenditure	15,330	14,629	18,480	18,088	19.12
Net Operational (Service)	(13,822)	(14,083)	(17,814)	(17,261)	18.41
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual</i>					

Table: 185 Financial Performance: Corporate Services

5.2.15 Financial Services

Description	2017/18	2018/19			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	138,632	161,335	187,121	170,366	5.30
Expenditure:					
Employees	15,351	19,606	21,865	21,335	8.10
Repairs and Maintenance	539	1,357	1,514	930	-45.90
Other	22,445	23,585	25,865	17,874	-31.96
Total Operational Expenditure	38,334	44,549	49,244	40,139	-10.99
Net Operational (Service)	100,298	116,786	137,877	130,228	10.32
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual</i>					

Table: 186 Financial Performance: Financial Services

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5.2.16 Executive and Council

Description	2017/18	2018/19			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	138,632	161,335	187,121	170,366	5.30
Expenditure:					
Employees	15,351	19,606	21,865	21,335	8.10
Repairs and Maintenance	539	1,357	1,514	930	-45.90
Other	22,445	23,585	25,865	17,874	-31.96
Total Operational Expenditure	38,334	44,549	49,244	40,139	-10.99
Net Operational (Service)	100,298	116,786	137,877	130,228	10.32
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual</i>					

Table: 187 Financial Performance: Executive and Council

5.2.17 Swimming Pools and Sport Grounds

Description	2017/18	2018/19			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	2,126	2,705	2,706	2,272	-19.07
Expenditure:					
Employees	4,091	5,412	4,687	4,891	-10.65
Repairs and Maintenance	731	1,008	1,343	888	-13.56
Other	1,075	1,211	1,446	1,279	5.28
Total Operational Expenditure	5,897	7,631	7,476	7,058	-8.13
Net Operational (Service)	(3,771)	(4,926)	(4,771)	(4,786)	-2.93
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual</i>					

Table: 188 Financial Performance: Swimming Pools and Sport Grounds

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5.3 GRANTS

5.3.1 Grant Performance

Description	2017/18	2018/19			2018/19 Variance	
	<i>Actual (Audited Outcome)</i>	Budget	Adjust- ments Budget	Actual	Original Budget	Adjust- ments Budget
	R'000				%	
Operating Transfers and Grants						
National Government:	50,517	56,022	56,226	56,226	0.36	0.00
Local Government Equitable Share	47,561	52,340	52,340	52,340	0.00	0.00
Finance Management	1,550	1,550	1,550	1,550	0.00	0.00
Municipal Systems Improvement	0	0	0	0	0	0
EPWP Incentive	1,406	1,630	1,630	1,630	0.00	0.00
Municipal Infrastructure Grant	0	502	706	706	28.87	-0.03
Provincial Government:	8,370	7,897	10,453	7,780	-1.51	-34.36
Library Service grant	6,179	7,018	6,940	6,950	-0.98	0.14
Financial Assistance for Maintenance And Construction Of Transport Infrastructure	65	78	78	78	0.00	0.00
WC Financial Management Capacity Building Grant	178	360	360	120	-201.25	-201.25
Thusong support grant	65	0	0	10	100.00	100.00
Community Development Workers	111	111	0	31	-259.05	100.00
Title Deeds Restoration Grant	562	0	2,745	439	100.00	-525.64
Municipal Service Delivery and Capacity Building Grant	680	0	0	153	100.00	100.00
Financial Management Support Grant	530	330	330	0	0	0
Other grant providers:	166	170	170	96	-77.35	-77.35
SETA	166	170	170	96	-77.35	-77.35
Total Operating Transfers and Grants	59,053	64,089	66,849	64,102	0.02	-4.29
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual						

Table: 189 Grant Performance for 2018/19

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5.3.2 Conditional Grants

Details	2017/18	2018/19			2018/19 Variance	
	Actual	Budget	Adjust-ments Budget	Actu- al	Variance	
	Actual (Audited Outcome)				Budget	Adjust-ments Budget
	R'000				%	
Finance Management	1,550	1,550	1,550	1,550	0.00	0.00
Municipal Water Infrastructure Grant	10,000	10,000	10,000	6,901	-44.90	-44.90
EPWP Incentive	1,406	1,630	1,630	1,630	0.00	0.00
Municipal Infrastructure Grant	21,614	20,951	20,951	20,951	0.00	0.00
Integrated National Electrification Program	2,190	2,500	2,500	2,500	0.00	0.00
Financial Recovery Plan	0	0	0	0	0	0
Municipal Disaster Recovery Grant	549	0	7,078	4,246	100.00	-66.68
Housing	0	0	0	0	0	0
Municipal Drought Relief Grant	1,438	3,689	11,282	2,025	-82.17	-457.16
Library Service grant	6,246	7,698	7,698	7,698	0.00	0.00
Municipal Service Delivery and Capacity Building Grant	680	0	153	153	100.00	#REF!
Western Cape Financial Management Capacity Building Grant	178	360	480	120	-201.25	-301.41
Thusong support grant	65	0	35	15	100.00	-132.62
IDP	0	0	0	0	0	0
Financial Assistance To Municipalities For Maintenance And Construction Of Transport Infrastructure	65	78	78	78	0.00	0.00
Economic Development Plan	0	0	0	0	0	0
Community Development Workers	111	111		31	-259.05	100.00
Multipurpose Centre	0	0	0	0	0	0
Emergency Housing Malagas	0	0	0	0	0	0
Western cape Tourism Trade and investment Promotion Agency	0	0	0	0	0	0
Human Settlement Development Grant	562	3,000	750	1,189	-152.37	36.91
Title Deeds restoration	0	0	3,777		0	0
Financial Management Support Grant	530	330	330	330	0.00	0.00
Internship Grant	0	0	0	0	0	0
Electricity Master Plan Grant	0	0	0	0	0	0
ACIP	0	0	0	0	0	0
Development Bank of South Africa	0	0	299	0	0	0
Vegetable Project Barrydale	0	0	0	0	0	0
SETA	166	170	170	96	-77.35	-77.35
Tronox	0	0	5,000	1,665	100.00	-200.25
Total	47,351	52,067	73,761	51,178	-1.74	-44.13

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Details	2017/18	2018/19			2018/19 Variance	
	Actual	Budget	Adjust- ments Budget	Actu al	Variance	
	<i>Actual (Audited Outcome)</i>				Budget	Adjust- ments Budget
		R'000			%	
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual</i>						

Table: 190 Conditional Grant

5.3.3 Level of Reliance on Grants & Subsidies

Financial year	Total grants and subsidies received	Total Operating Revenue	Percentage
	R'000		%
2017/18	94,912	309,006	30.72
2018/19	103,518	398,177	26.00

Table: 191 Reliance on Grants

5.4 ASSET MANAGEMENT

5.4.1 Repairs and Maintenance

Description	2017/18	2018/19			
	Actual	Original Budget	Adjustment Budget	Actual	Budget variance
		R' 000			%
Repairs and Maintenance Expenditure	8,829	11,479	12,913	9,733	-32.66

Table: 192 Repairs & Maintenance

5.5 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

5.5.1 Liquidity Ratio

Description	Basis of calculation	2017/18	2018/19
Current Ratio	Current assets/current liabilities	0.84	0.97
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.81	0.97
Liquidity Ratio	Monetary assets/current liabilities	0.58	0.36

Table: 193 Liquidity Financial Ratio

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5.5.2 IDP Regulation Financial Viability Indicators

Description	Basis of calculation	2017/18	2018/19
Cost Coverage	(Available cash + Investments)/monthly fixed operational expenditure	1.13	0.99
Total Outstanding Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0.39	0.39
Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	1.13	0.36

Table: 194 Financial Viability National KPAs

5.5.3 Borrowing Management

Description	Basis of calculation	2017/18	2018/19
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.02	0.02

Table: 195 Borrowing Management

5.5.4 Employee costs

Description	Basis of calculation	2017/18	2018/19
Employee costs	Employee costs/(Total Revenue - capital revenue)	41%	42%

Table: 196 Employee Costs

5.5.5 Repairs & Maintenance

Description	Basis of calculation	2017/18	2018/19
Repairs & Maintenance	R&M (Total Revenue excluding capital revenue)	3%	3%

Table: 197 Repairs & Maintenance

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.6 SOURCES OF FINANCE

5.6.1 Capital Expenditure by New Assets Program

Description	2017/18	2018/19			Planned Capital expenditure		
	Audited outcome	Original Budget	Adjustment Budget	Actual Expenditure	2019/20	2019/20	2020/21
R'000							
Capital expenditure by Asset Class							
Infrastructure - Total	7,249	15,133	24,659	12,933	45,124	23,850	39,407
Infrastructure: Road transport - Total	520	3,050	4,365	3,846	18,344	100	5,100
Roads, Pavements & Bridges	0	3,050	4,365	3,846	18,344	100	5,100

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Description	2017/18	2018/19			Planned Capital expenditure		
	Audited outcome	Original Budget	Adjustment Budget	Actual Expenditure	2019/20	2019/20	2020/21
R'000							
Storm water	520	0	0	0	0	0	0
Infrastructure: Electricity - Total	1,950	5,650	3,400	2,970	7,810	8,000	5,000
Transmission & Reticulation	1,950	5,650	3,400	2,970	7,810	8,000	5,000
Infrastructure: Water - Total	2,438	5,821	15,474	5,398	5,770	15,700	24,107
Dams & Reservoirs	93	0	0	0	0	0	3,707
Reticulation	2,344	5,821	15,474	5,398	5,770	15,700	20,400
Infrastructure: Sanitation - Total	467	612	1,420	719	13,200	50	5,200
Reticulation	467	612	1,420	719	13,200	50	5,200
Infrastructure: Other - Total	1,875	0	0	0	0	0	0
Waste Management	1,875						-
Community - Total	2,325	1,745	1,881	1,649	2,336	700	4,000
Community halls	0	0	22	4	1,179	0	600
Libraries	59	680	664	577	0	450	0
Recreational facilities	2,266	1,065	1,196	1,067	1,157	250	3,400
Capital expenditure by Asset Class	2,206	11,824	12,075	11,248	6,286	1,638	690
Heritage assets - Total	0	0	0	0	0	0	0
Buildings	0	0	0	0	0	0	0
Investment properties - Total	0	0	0	0	0	0	0
Housing development	0	0	0	0	0	0	0
Other assets	1,757	11,824	12,075	11,248	6,286	1,638	690
General vehicles	23	10,000	10,000	9,572	2,590	-	300
Plant & equipment	358	689	417	282	1,168	605	390
Computers - hardware/equipment	840	445	640	440	490	0	0
Furniture and other office equipment	536	690	1,018	954	1,133	133	0
Other Buildings	0	0	0	0	705	900	0
Other Land	0	0	0	0	200	0	0
Agricultural assets	0	0	0	0	0	0	0
List sub-class	0	0	0	0	0	0	0
Biological assets	0	0	0	0	0	0	0
List sub-class	0	0	0	0	0	0	0
Intangibles	450	0	0	0	0	0	0
Computers - software & programming	450	0	0	0	0	0	0
Total Capital Expenditure on new assets	11,781	28,701	38,616	25,830	53,747	26,188	44,097

Table: 198 Capital Expenditure by New Assets Program

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5.6.1 Capital Expenditure: Funding Sources

The table below indicates the capital expenditure by funding source for the 2018/19 financial year:

Capital Expenditure: Funding Sources						
Details	2017/18	2018/19				
	<i>Audited outcome</i>	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance	Actual to OB Variance
Source of Finance						
Description	R'000				%	
External loans	0	10,000	10,000	9,572	0	0
Public contributions and donations	0	5,000	0	0	0	0
Grants and subsidies	31,475	40,317	57,625	34,100	42.93	-40.82
Own funding	9,179	4,545	5,646	4,047	24.22	-28.31
Total	40,655	59,862	73,271	47,719	18.30	-25.45
Percentage of Finance						
External loans	0	17	14	20		
Public contributions and donations	0	8	0	0		
Grants and subsidies	77	67	79	71		
Own funding	23	8	8	8		
Capital Expenditure						
Description	R'000				%	
Water and sanitation	14,512	21,402	37,156	15,893	73.61	-57.23
Electricity	1,950	6,900	4,653	4,139	-32.57	-11.05
Housing	0	0	0	0	0	0
Roads and storm water	17,296	22,451	22,160	19,302	-1.29	-12.90
Other	6,897	9,110	9,302	8,386	2.11	-9.85
Total	40,655	59,862	73,271	47,719	18.30	-25.45
Percentage of Expenditure						
Water and sanitation	36	36	51	33		
Electricity	5	12	6	9		
Housing	0	0	0	0		
Roads and stormwater	43	38	30	40		
Other	17	15	13	18		

Table: 199 Capital Expenditure by Funding Source

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5.6.2 Capital Spending on Largest Capital Projects

Name of Project	2018/19				
	Original Budget	Adjusted Budget	Actual Expenditure	Original Variance	Adjusted variance
	R'000			%	
Bitterfontein: Refurbishment of Bitterfontein Waterscheme	10,000	10,000	6,901	(0.04)	(0.04)
Lutzville: Upgrade of Gravel Roads	6,000	3,774	3,774	(0.06)	0
Vanrhynsdorp: Upgrade of Gravel Roads in Hopland Maskamsig	5,415	5,054	5,054	(0.01)	0
Upgrading of Koekenaap Bulk Water Infrastructure	5,000	5,000	1,665	(0.20)	(0.20)
Upgrade Ebenhaeser Water Treatment Works	3,689	7,045	772	(0.38)	(0.81)
Name of Project - A	Bitterfontein: Refurbishment of Bitterfontein Waterscheme				
Objective of Project	Provide municipal basic services to meet demands of growing population and development challenges				
Delays	Delays was caused by poor performance of the Contractor. Penalties were imposed and remedial plan was approved to expedite progress.				
Future Challenges	None				
Anticipated citizen benefits	Good Quality Municipal Basic Services				
Name of Project - B	Lutzville Upgrade of Gravel Roads				
Objective of Project	Provide municipal basic services to meet demands of growing population and development challenges				
Delays	Delays was caused by poor performance of the Contractor. Penalties were imposed and remedial plan was approved to expedite progress.				
Future Challenges	None				
Anticipated citizen benefits	Good Quality Municipal Basic Services				
Name of Project - C	Vanrhynsdorp Upgrade of Gravel Roads in Hopland Maskamsig				
Objective of Project	Provide municipal basic services to meet demands of growing population and development challenges				
Delays	None				
Future Challenges	None				
Anticipated citizen benefits	Good Quality Municipal Basic Services				
Name of Project - D	Upgrading of Koekenaap Bulk Water Infrastructure				
Objective of Project	Provide municipal basic services to meet demands of growing population and development challenges				
Delays	None				
Future Challenges	None				
Anticipated citizen benefits	Good Quality Municipal Basic Services				
Name of Project - E	Upgrade Ebenhaeser Water Treatment Works				
Objective of Project	Provide municipal basic services to meet demands of growing population and development challenges				
Delays	None				
Future Challenges	None				
Anticipated citizen benefits	Good Quality Municipal Basic Services				

Table: 200 Capital Spending on Largest Capital Projects

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5.6.3 Municipal Infrastructure Grant (MIG) Expenditure on Service Backlogs

The table below indicates the MIG expenditure on service backlogs:

MIG Expenditure on Service Backlogs					
Details	Budget	Adjustments Budget	Actual	Variance	
				Budget	Adjustment Budget
	R'000			%	%
Infrastructure - Sanitation	0	410,792	410,792	100.00	0
Other Specify: Recreational facilities	19,413,573	1,983,425	19,834,426	2.12	90.00
Outdoor Sport facilities	1,034,947	1,076,566	1,076,566	3.87	0.00
Roads Infrastructure	19,413,573	18,757,859	18,757,860	-3.50	0.00
Total	19,413,573	20,245,217	20,245,218	4.11	0.00
* MIG is a government grant program designed to fund a reduction in service backlogs mainly: Water; Sanitation; Roads; Electricity. Expenditure on new upgraded and renewed infrastructure. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.					

Table: 201 MIG Expenditure on Service Backlogs

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

Cash flow management is critical to the municipality as it enables the organisation to assess whether enough cash is available at any point in time to cover the council's commitments. Cash flow is rigorously managed and monitored on a regular basis.

5.7 CASH FLOW

Cash Flow Outcomes				
R'000				
D escription	2017/18	2018/19		
	<i>Audited Outcome</i>	Original Budget	Adjusted Budget	Actual
	R'000			
Cash flow from operating activities				
Receipts				
Ratepayers and other	193,512	221,861	226,999	211,203
Government - operating	58,817	64,089	66,858	64,709
Government - capital	58,066	40,317	38,494	38,824
Interest	5,332	4,918	7,609	8,212
Dividends	0	0	0	0
Payments				
Suppliers and employees	(224,546)	(269,219)	(299,906)	(282,878)

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Cash Flow Outcomes				
R'000				
Description	2017/18	2018/19		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
	R'000			
Finance charges	(8,242)	(3,159)	(1,773)	(5,592)
Transfers and Grants	(1,436)	(1,511)	(1,537)	(1,249)
Net cash from/(used) operating activities	81,502	57,296	36,744	33,229
Cash flows from investing activities				
Receipts				
Proceeds on disposal of PPE	1,204	10,553	10,553	184
Decrease (increase) in non-current debtors	(35)	0	0	(1,328)
Decrease (increase) other non-current receivables	0	0	0	0
Decrease (increase) in non-current investments	0	0	0	0
Payments				
Capital assets	(38,780)	(59,862)	(73,271)	(47,719)
Net cash from/(used) investing activities	(37,610)	(49,309)	(62,718)	(48,863)
Cash flows from financing activities				
Receipts				
Short term loans	0	10,000	10,000	10,000
Borrowing long term/refinancing	280	(4,452)	(150)	(4,732)
Payments				
Repayment of borrowing	(1,835)	(5,352)	(5,736)	(4,662)
Net cash from/(used) financing activities	(1,555)	196	4,115	607
Net increase/ (decrease) in cash held	42,337	8,183	(21,859)	(15,028)
Cash/cash equivalents at the year begin:	4,116	19,686	46,453	46,453
Cash/cash equivalents at the yearend:	46,453	27,869	24,593	31,425

Table: 202 Cash Flow

5.8 GROSS OUTSTANDING DEBTORS PER SERVICE

Financial year	Rates	Trading services	Economic services	Housing rentals	Other	Total
		(Electricity and Water)	(Sanitation and Refuse)			
	R'000					
2017/18	13,302	15,237	20,546	0	23,687	72,772
2018/19	13,075	18,745	21,911	0	26,764	80,495
Difference	(227)	3,507	1,366	0	3,077	7,723
% growth year on year	-2	23	7	0	13	11
Note: Figures exclude provision for bad debt						

Table: 203 Gross Outstanding Debtors per Service

Annual Report 2018/19

5.9 TOTAL DEBTORS AGE ANALYSIS

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	R'000				
2017/18	12,962	4,297	2,825	52,689	72,772
2018/19	13,116	5,174	3,221	58,985	80,495
Difference	154	877	396	6,296	7,723
% growth year on year	1	20	14	12	11

Note: Figures exclude provision for bad debt.

Table: 204 Service Debtor Age Analysis

5.10 BORROWING AND INVESTMENTS

Infrastructure needs to be replaced and therefore borrowings for periods of 15 years are taken up to lessen the impact on consumers.

5.10.1 Actual Borrowings

Actual Borrowings		
R' 000		
Instrument	2017/18	2018/19
	R'000	
Long-term loans (annuity/reducing balance)	29,367	24,029
Financial leases	0	0
Total	29,367	24,029

Table: 205 Actual Borrowings

5.10.2 Grants Made by the Municipality: 2018/19

All Organisation or Person in receipt of Grants provided by the municipality	Nature of project	Conditions attached to funding	Value 2018/19	Total Amount committed over previous and future years
			R'000	
Lifeguards	Strandfontein Lifesavers	Strandfontein Lifesavers	196	0
Development Programmes	Small Farmer Support	Small Farmers registration	50	0
Poverty Alleviation	Indigent Support	Indigent burials. Etc	7	0
Tourism	Contribution to Tourism Council	Tourism activities	981	0
Sport development	Sport Development	Sport Development	15	0

Table: 206 Grants Made by the Municipality: 2018/19

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CHAPTER 6

6.1 INTRODUCTION

Our Constitution, Section 188 (1) (b) states that the functions of the Auditor-General include the auditing and reporting on the accounts, financial statements and financial management of all municipalities. The responsibility of the Auditor-General is to perform an audit to obtain reasonable assurance whether the annual financial statements reflect in all material aspects financial position and the state of financial affairs in the required formats and to express an opinion based on the audit conducted in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing.

The MSA Section 45 states that the results of performance measurement must be audited annually by the Auditor-General. The reported performance against predetermined objectives is evaluated against the overall criteria of usefulness and reliability. The usefulness of information relates to whether the reported performance is consistent with the planned development priorities or objectives and if indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

COMPONENT A: AUDITOR-GENERAL OPINION 2017/18

6.2 AUDITOR GENERAL-REPORT 2017/18

6.2.1 Financial performance for 2017/18

Auditor-General Report on Financial Performance 2017/18	
Audit Report Status:	Financially unqualified with no other matters (Clean Audit Opinion)

Table: 207 Financial performance for 2017/18

6.2.2 Service Delivery Performance 2017/18

The Auditor-General in its audit report did not find any material findings on the annual performance report concerning the usefulness and reliability of the information. The Auditor-General, furthermore, did not include any matters in the audit report that have an impact on the audit findings on predetermined objectives reported.

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COMPONENT B: AUDITOR-GENERAL OPINION 2018/19

6.3 AUDITOR-GENERAL REPORT 2018/19

6.3.1 Financial performance for 2018/19

Auditor-General Report on Financial Performance 2018/19	
Audit Report Status:	Financially unqualified with other matters

Table: 208 Financial performance for 2018/19

6.3.2 Service Delivery Performance 2018/19

The Auditor-General in its audit report did not find any material findings on the annual performance report concerning the usefulness and reliability of the information. The Auditor-General, furthermore, did not include any matters in the audit report that have an impact on the audit findings on predetermined objectives reported.

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LIST OF ABBREVIATIONS

AG	Auditor-General	KPI	Key Performance Indicator
AFS	Annual Financial Statements	LED	Local Economic Development
CAPEX	Capital Expenditure	MAYCOM	Executive Mayoral Committee
CBP	Community Based Planning	MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CMTP	Council Meets The People	MM	Municipal Manager
COGHSTA	Department of Cooperative Governance, Human settlements and Traditional Affairs	MMC	Member of Mayoral Committee
DAFF	Department of Agriculture, Forestry and Fisheries	MSA	Municipal Systems Act No. 32 of 2000
DPLG	Department of Provincial and Local Government	MTECH	Medium Term Expenditure Committee
DWA	Department of Water Affairs	NCOP	National Council of Provinces
EE	Employment Equity	NERSA	National Energy Regulator South Africa
EPWP	Extended Public Works Programme	NGO	Non-governmental organisation
EXCO	Executive Committee	NT	National Treasury
FBS	Free Basic Services	OPEX	Operating expenditure
GAMAP	Generally Accepted Municipal Accounting Practice	PMS	Performance Management System
GRAP	Generally Recognised Accounting Practice	PT	Provincial Treasury
HR	Human Resources	SALGA	South African Local Government Association
IDP	Integrated Development Plan	SAMDI	South African Management Development Institute
IFRS	International Financial Reporting Standards	SCM	Supply Chain Management
IMFO	Institute for Municipal Finance Officers	SDBIP	Service Delivery and Budget Implementation Plan
KPA	Key Performance Area	SDF	Spatial Development Framework

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Matzikama

MUNICIPALITY



AUDITED ANNUAL FINANCIAL STATEMENTS

30 JUNE 2019

MATZIKAMA MUNICIPALITY

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MATZIKAMA MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

GENERAL INFORMATION

NATURE OF BUSINESS

Matzikama Municipality is a local municipality performing the functions as set out in the Constitution of the Republic of South Africa.

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998) and are classified as a medium capacity municipality.

JURISDICTION

The Matzikama Municipality includes the following areas:

Vredendal
Vanrhynsdorp
Klawer
Koekenaap
Lutzville
Ebenhaezer
Strandfontein
Doringbaai
Bitterfontein
Nuwerus
Stofkraal
Molsvlei
Rietpoort
Kliprand

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	J VAN DER HOOVEN
Deputy Executive Mayor	DD JENNER
Executive Councillor	A SINDYAMBA
Executive Councillor	WD LOFF
Executive Councillor	AFK JOB

MUNICIPAL MANAGER

DP LUBBE

CHIEF FINANCIAL OFFICER

GRJ SEAS

REGISTERED OFFICE

37 Church Street, Vredendal, 8160

AUDITORS

Auditor-General of South Africa, Private Bag X1, Chempet, 7442

PRINCIPLE BANKERS

ABSA Bank

ATTORNEYS

Swanepoel and Swanepoel Attorneys
Koos Coetzee Attorneys
Downing Engelbrecht

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements

MATZIKAMA MUNICIPALITY

MEMBERS OF THE MATZIKAMA MUNICIPALITY

COUNCILLORS

1	M CAROSINI
2	AFK JOB
3	AW LINKS
4	WD LOFF
5	NS LOUW
6	M BAINS
7	A SINDYAMBA
8	MV CLOETE
Proportional	J VAN DER HOOVEN
Proportional	WH NELL
Proportional	PG BOK
Proportional	NM NGOBO
Proportional	J DE JONGH
Proportional	XP TSHETU
Proportional	DD JENNER

APPROVAL OF FINANCIAL STATEMENTS

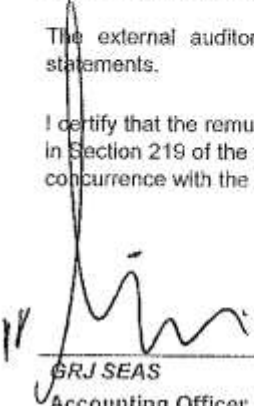
I am responsible for the preparation of these annual financial statements for the year ended 30 JUNE 2019, which are set out on pages 9 to 58 in terms of Section 126 (1)(a) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2020 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and approved by council in concurrence with the MEC for Local Government in the province.


GRJ SEAS
Accounting Officer

07/12/19
Date

Report of the auditor-general to the Western Cape Provincial Parliament and council on Matzikama Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Matzikama Municipality set out on pages 9 to 57, which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Matzikama Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No.56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act No. 1 of 2018) (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and, parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

7. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2018 has been restated as a result of an error in the financial statements of the municipality at, and for the year ended 30 June 2019.

Material Impairments

8. As disclosed in note 15 to the financial statements, the municipality provided for debt impairment of receivables from exchange transactions amounting to R43 555 229 (2017-18: R40 371 776).
9. As disclosed in note 16 to the financial statements, the municipality provided for debt impairment of receivables from non-exchange transactions amounting to R35 701 879 (2017-18: R23 953 025).

Material losses

10. As disclosed in note 43 to the financial statements, material electricity losses of 10 612 982 Kwh (2017-18: 10 476 360 Kwh) were incurred, which represents 13,25% (2017-18:13,10%) of total electricity purchased.

Underspending of the conditional grants

11. As disclosed in note 8 to the financial statements, the municipality underspent its conditional grants by R22 714 807 (2017-18: R22 699 967).

Other matters

12. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited disclosure notes

13. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on them.

Unaudited supplementary schedules

14. The supplementary information set out on pages 58 to 67 did not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion them.

Responsibilities of the accounting officer for the financial statements

15. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
16. In preparing the financial statements, the accounting officer is responsible for assessing the Matzikama Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

17. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
18. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

19. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
20. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
21. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2019:

Objectives	Pages in the annual performance report
Strategic Objective 5 – Provide municipal basic services to meet demands of growing population and development challenges.	12 – 16

22. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

23. I did not raise any material findings on the usefulness and reliability of the reported performance information for this strategic objective.

Other matters

24. I draw attention to the matter below.

Achievement of planned targets

25. Refer to the annual performance report on pages 12 to 16 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

26. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Strategic objective 5 – Provide municipal basic services to meet demands of growing population and development challenges. As management subsequently corrected the misstatements, we did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

27. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
28. The material findings on compliance with specific matters in key legislations are as follows:

Procurement and contract management

29. The bid adjudication committee was not correctly composed in terms of regulation 29(2) of the Municipal Supply Chain Management Regulations which requires that four senior managers (as defined within the MFMA) form part of the bid adjudication committee.

Other information

30. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
31. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

32. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
33. If based on the work I have performed, I conclude that if there is a material misstatement in this other information, I am required to report that fact.
34. I have nothing to report in this regard.

Internal control deficiencies

35. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
36. The monitoring of internal control was not adequate to prevent and detect non compliance with the applicable laws and regulations.

Auditor-General

Cape Town

7 December 2019



Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Matzikama Municipality’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease continuing as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

MATZIKAMA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2019 R	Restated 2018 R
NET ASSETS		594 898 386	526 107 208
Capital Replacement Reserve	2	3 405 000	4 545 000
Accumulated Surplus		591 493 386	521 562 208
LIABILITIES			
Non-Current Liabilities		122 622 693	113 917 152
Borrowings	3	22 612 432	19 066 401
Provisions	4	100 010 261	94 850 751
Current Liabilities		87 042 559	80 506 984
Consumer Deposits	5	-	4 731 743
Current Employee benefits	6	13 992 596	11 298 102
Payables from exchange transactions	7	43 549 407	36 814 709
Unspent Transfers and Subsidies	8	22 745 722	22 699 967
Current portion of Borrowings	3	6 754 834	4 962 463
TOTAL NET ASSETS AND LIABILITIES		804 563 638	720 531 344
ASSETS			
Non-Current Assets		731 972 897	642 489 818
Property, plant and equipment	10	643 264 012	574 327 723
Investment Property	11	87 882 500	67 344 800
Intangible Assets	12	491 717	610 882
Operating Lease Asset	17	78 536	86 179
Long-term Receivables	13	256 132	120 234
Current Assets		72 590 741	78 041 526
Cash and Cash Equivalents	18	31 424 554	46 452 617
Receivables from exchange transactions	15	25 621 327	20 455 871
Receivables from non-exchange transactions	16	8 584 624	8 481 791
Inventories	14	466 772	694 818
Value Added Taxation	9	5 686 509	1 714 580
Transfers and Subsidies Receivable	8	30 915	-
Current portion of long-term receivables	13	768 397	240 466
Operating Lease Asset	17	7 643	1 383
TOTAL ASSETS		804 563 638	720 531 344

MATZIKAMA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 R	Restated 2018 R
REVENUE			
Exchange revenue		178 579 795	157 136 843
Service charges	21	158 559 989	140 281 091
Sales of Goods and Rendering of Services	22	2 765 513	2 731 805
Rental of letting investment property and facilities	24	4 553 470	3 718 402
Interest earned	25	8 212 160	5 332 463
Licences and Permits		1 010 375	1 301 928
Agency Services	26	3 368 514	3 284 970
Gains on Sale Investment Property		109 774	486 184
Non-exchange revenue		218 996 153	150 834 885
Property rates	19	43 225 413	44 726 706
Fines, penalties and forfeits	37	16 446 782	10 835 350
Government grants and subsidies	20	103 518 015	94 911 850
Fair Value Adjustments Investment Property	11	23 838 200	353 218
Contributed property, plant and equipment	23	31 967 743	7 761
Other revenue		601 061	1 033 873
Actuarial Gains	4	601 061	1 033 873
Total Revenue		398 177 009	309 005 601
EXPENDITURE			
Employee related costs	27	140 477 531	112 842 560
Remuneration of Councillors	29	6 935 002	6 839 312
Contracted Services	30	9 642 766	7 747 928
Debt Impairment	31	18 293 389	17 675 241
Depreciation and Amortisation	32	14 469 259	13 881 342
Finance Costs	33	5 591 909	5 603 101
Bulk Purchases	34	94 144 671	87 611 998
Transfers and Subsidies	36	1 249 219	1 436 453
Inventory Consumed	14	10 012 164	8 529 196
Operational Costs	38	25 643 609	24 420 618
Actuarial Loss	4	-	78 940
Remeasurement of provision		2 639 353	2 639 298
Impairment loss on Property, Plant and Equipment	10	118 756	144 484
Loss on disposal of Property, Plant and Equipment		147 001	649 006
Loss on Foreign Exchange relating to purchases of Licences		21 203	-
Total Expenditure		329 385 831	290 099 476
NET SURPLUS FOR THE YEAR		68 791 178	18 906 125

MATZIKAMA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
Balance at 30 June 2017 as previously stated	4 392 000	502 484 684	506 876 684
Correction of error - note 40.4	-	324 400	324 400
Restated Balance at 30 June 2017	4 392 000	502 809 084	507 201 084
Net Surplus for the year	-	18 906 125	18 906 125
Transfer to/from CRR	4 545 000	(4 545 000)	-
Property, Plant and Equipment purchased	(4 392 000)	4 392 000	-
Restated Balance at 30 June 2018	4 545 000	521 562 208	526 107 208
Net Surplus for the year	-	68 791 178	68 791 178
Transfer to/from CRR	3 405 000	(3 405 000)	-
Property, Plant and Equipment purchased	(4 545 000)	4 545 000	-
Balance at 30 JUNE 2019	3 405 000	591 493 386	594 898 386

MATZIKAMA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 R	Restated 2018 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		211 202 893	180 981 175
Government grants and transfers		103 532 855	116 762 158
Interest received		8 212 160	5 332 463
		<u>322 947 909</u>	<u>303 075 796</u>
Payments			
Employee cost		(144 116 977)	(118 258 716)
Suppliers		(140 010 520)	(97 682 177)
Finance cost		(5 591 908)	(5 603 101)
		<u>(289 719 405)</u>	<u>(221 543 994)</u>
Net Cash from Operating Activities		<u>33 228 504</u>	<u>81 531 802</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of Property, Plant and Equipment		(47 719 340)	(38 330 278)
Acquisition of Intangible assets		-	(449 555)
Cash proceeds from the sales of investment property		183 774	1 204 184
Increase in Non-Current Debtors		(1 327 660)	(64 178)
		<u>(48 863 226)</u>	<u>(37 639 827)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised	3.1	10 000 000	-
Borrowings repaid		(4 661 598)	(1 835 195)
Interest paid			
(Decrease)/ Increase in consumer deposits		(4 731 743)	279 781
		<u>606 659</u>	<u>(1 555 414)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(15 028 063)</u>	<u>42 336 561</u>
Cash and Cash Equivalents at the beginning of the year		46 452 617	4 116 056
Cash and Cash Equivalents at the end of the year	39.2	<u>31 424 554</u>	<u>46 452 617</u>

MATZIKAMA MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by- law)	Final Budget	Actual Outcome 2019	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	%
ASSETS								
Current Assets								
Cash	27 868 755	(3 275 454)	24 593 301	-	-	24 593 301	31 424 554	27.78%
Consumer Debtors	26 805 851	1 641 510	28 447 361	-	-	28 447 361	28 001 386	-1.57%
Other Debtors	1 960 824	5 838 925	7 799 749	-	-	7 799 749	11 929 632	52.95%
Current Portion of long-term receivables	266 810	-	266 810	-	-	266 810	768 397	187.99%
Inventory	549 597	102 000	651 597	-	-	651 597	466 772	-28.36%
Total Current Assets	57 451 837	4 306 981	61 758 818	-	-	61 758 818	72 590 741	17.54%
Non-Current Assets								
Long-term Receivables	82 765	45 000	127 765	-	-	127 765	256 132	100.47%
Investment Property	67 691 582	10 167 718	77 859 300	-	-	77 859 300	87 882 500	12.87%
Property, Plant and Equipment	638 402 885	(7 253 264)	631 149 622	-	-	631 149 622	643 264 012	1.92%
Intangible Assets	590 051	(105 008)	485 043	-	-	485 043	491 717	1.38%
Other Non-Current Assets	-	-	-	-	-	-	78 536	100.00%
Total Non-Current Assets	706 767 283	2 854 446	709 621 730	-	-	709 621 730	731 972 897	3.15%
TOTAL ASSETS	764 219 120	7 161 427	771 380 548	-	-	771 380 548	804 563 638	4.30%
LIABILITIES								
Current Liabilities								
Borrowing	5 648 594	1 644 740	7 293 334	-	-	7 293 334	6 754 834	-7.38%
Consumer Deposits	-	4 582 000	4 582 000	-	-	4 582 000	-	-100.00%
Trade and Other Payables	17 206 088	21 219 191	38 425 279	-	-	38 425 279	66 295 129	72.53%
Provisions	11 312 178	1 162 829	12 475 007	-	-	12 475 007	13 992 596	12.17%
Total Current Liabilities	34 166 860	28 608 760	62 775 620	-	-	62 775 620	87 042 559	38.66%
Non-Current Liabilities								
Borrowing	20 662 586	723 516	21 386 102	-	-	21 386 102	22 612 432	5.73%
Provisions	101 483 681	(4 211 866)	97 271 815	-	-	97 271 815	100 010 261	2.82%
Total Non-Current Liabilities	122 146 267	(3 488 350)	118 657 917	-	-	118 657 917	122 622 693	3.34%
TOTAL LIABILITIES	156 313 127	25 120 410	181 433 537	-	-	181 433 537	209 665 252	15.56%
NET ASSETS								
Accumulated Surplus/(Deficit)	603 360 993	(24 343 983)	579 017 010	-	-	579 017 010	591 493 386	2.15%
Reserves	4 545 000	6 385 000	10 930 000	-	-	10 930 000	3 405 000	-68.85%
TOTAL NET ASSETS	607 905 993	(17 958 983)	589 947 010	-	-	589 947 010	594 898 386	0.84%

EXPLANATORY NOTES ON ALL MATERIAL VARIANCES LARGER THAN 10% PRESENTED IN NOTE 53

MATZIKAMA MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by- law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	2019 R	%
REVENUE								
Property Rates	47 103 449	6	47 103 455	-	-	47 103 455	43 225 413	-8.23%
Service Charges - Electricity Revenue	123 170 642	9	123 170 651	-	-	123 170 651	108 452 365	-11.95%
Service Charges - Water Revenue	15 308 237	6 988 000	22 296 237	-	-	22 296 237	19 486 899	-12.60%
Service Charges - Sanitation Revenue	15 919 223	2	15 919 225	-	-	15 919 225	15 267 502	-4.09%
Service Charges - Refuse Revenue	16 257 957	2	16 257 959	-	-	16 257 959	15 353 223	-5.56%
Service Charges - Other Revenue	-	-	-	-	-	-	-	0.00%
Rental of Facilities and Equipment	1 512 527	825 003	2 337 530	-	-	2 337 530	2 290 411	-2.02%
Interest Earned - External Investments	1 632 150	1 900 000	3 532 150	-	-	3 532 150	3 311 815	-6.24%
Interest Earned - Outstanding Debtors	3 285 360	1 128 943	4 414 303	-	-	4 414 303	4 900 345	11.01%
Dividends Received	-	-	-	-	-	-	-	-
Fines	2 594 223	13 200 000	15 794 223	-	-	15 794 223	16 446 782	4.13%
Licences and Permits	1 126 499	2	1 126 501	-	-	1 126 501	1 010 375	-10.31%
Agency Services	3 233 758	300 000	3 533 758	-	-	3 533 758	3 368 514	-4.68%
Transfers and subsidies	64 089 480	4 386 305	68 475 785	-	-	68 475 785	64 101 543	-6.39%
Other Revenue	7 733 973	10 723 964	18 457 937	-	-	18 457 937	29 467 833	59.65%
Gains on Disposal of PPE	10 553 000	1	10 553 001	-	-	10 553 001	109 774	-98.96%
Total Revenue (excluding capital transfers and contributions)	313 520 478	39 452 237	352 972 715	-	-	352 972 715	326 792 794	-7.42%
EXPENDITURE								
Employee Related Costs	122 492 656	15 905 380	138 398 036	-	-	138 398 036	138 632 429	0.17%
Remuneration of Councillors	7 225 878	(290 873)	6 935 005	-	-	6 935 005	6 935 002	0.00%
Debt Impairment	13 478 000	4 322 000	17 800 000	-	-	17 800 000	18 293 389	2.77%
Depreciation and Asset Impairment	15 030 495	1 246 452	16 276 947	-	-	16 276 947	14 588 015	-10.38%
Finance Charges	10 099 272	(2 473 806)	7 625 466	-	-	7 625 466	8 231 262	7.94%
Bulk Purchases	94 443 187	(1)	94 443 186	-	-	94 443 186	94 144 671	-0.32%
Other Materials	11 701 833	1 395 713	13 097 546	-	-	13 097 546	9 839 306	0.00%
Contracted Services	10 785 857	6 522 838	17 308 695	-	-	17 308 695	9 642 766	-44.29%
Transfers and subsidies	1 511 494	25 199	1 536 693	-	-	1 536 693	1 249 219	-18.71%
Other Expenditure	26 539 106	12 869 205	39 408 311	-	-	39 408 311	27 682 772	-29.75%
Loss on Disposal of PPE	-	-	-	-	-	-	147 001	100.00%
Total Expenditure	313 307 778	39 522 107	352 829 885	-	-	352 829 885	329 385 831	-6.64%
Surplus/(Deficit)	212 700	(69 870)	142 830	-	-	142 830	(2 593 038)	-1915.47%
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	40 317 228	12 307 878	52 625 106	-	-	52 625 106	37 751 191	-28.26%
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	5 000 000	-	5 000 000	-	-	5 000 000	1 665 281	-66.69%
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	31 967 743	100.00%
Surplus/(Deficit) after Capital	45 529 928	12 238 008	57 767 936	-	-	57 767 936	68 791 177	19.08%
Taxation	-	-	-	-	-	-	-	-
Surplus/(Deficit) after Taxation	45 529 928	12 238 008	57 767 936	-	-	57 767 936	68 791 177	19.08%
Attributable to Minorities	-	-	-	-	-	-	-	-
Surplus/(Deficit) Attributable to Municipality	45 529 928	12 238 008	57 767 936	-	-	57 767 936	68 791 177	19.08%
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	45 529 928	12 238 008	57 767 936	-	-	57 767 936	68 791 177	19.08%

EXPLANATORY NOTES ON ALL MATERIAL VARIANCES LARGER THAN 10% PRESENTED IN NOTE 53

MATZIKAMA MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by- law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	2019 R	%
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Taxation	44 012 027	(512 562)	43 499 464	-	-	43 499 464	43 452 431	-0.11%
Service Charges	159 455 820	4 596 311	164 052 131	-	-	164 052 131	162 136 998	-1.17%
Other Revenue	18 393 101	1 054 487	19 447 588	-	-	19 447 588	5 613 464	-71.14%
Government - Operating	64 089 480	2 768 928	66 858 408	-	-	66 858 408	64 709 264	-3.21%
Government - Capital	40 317 228	(1 823 636)	38 493 592	-	-	38 493 592	38 823 591	0.86%
Interest	4 917 510	2 691 195	7 608 705	-	-	7 608 705	8 212 160	7.93%
Dividends	-	-	-	-	-	-	-	-
Payments								
Suppliers and Employees	(269 219 408)	(30 686 950)	(299 906 357)	-	-	(299 906 357)	(282 878 278)	-5.68%
Finance costs	(3 158 669)	1 385 549	(1 773 120)	-	-	(1 773 120)	(5 591 908)	215.37%
Transfers and Grants	(1 511 494)	(25 199)	(1 536 693)	-	-	(1 536 693)	(1 249 219)	-18.71%
Net Cash from/(used) Operating Activities	57 295 595	(20 551 877)	36 743 718	-	-	36 743 718	33 228 504	-9.57%
CASH FLOW FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	10 553 000	-	10 553 000	-	-	10 553 000	183 774	-98.26%
Decrease/(Increase) in Non-Current Debtors	-	-	-	-	-	-	(1 327 660)	100.00%
Decrease/(Increase) in Other Non-Current Receivables	-	-	-	-	-	-	-	-
Decrease/(Increase) in Non-Current Investments	-	-	-	-	-	-	-	-
Payments								
Capital Assets	(59 862 228)	(13 408 545)	(73 270 773)	-	-	(73 270 773)	(47 719 340)	-34.87%
Net Cash from/(used) Investing Activities	(49 309 228)	(13 408 545)	(62 717 773)	-	-	(62 717 773)	(48 863 226)	-22.09%
CASH FLOW FROM FINANCING ACTIVITIES								
Receipts								
Short Term Loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	10 000 000	-	10 000 000	-	-	10 000 000	10 000 000	0.00%
Increase/(Decrease) in Consumer Deposits	(4 451 963)	4 302 220	(149 743)	-	-	(149 743)	(4 731 743)	3059.91%
Payments								
Repayment of Borrowing	(5 351 586)	(383 931)	(5 735 517)	-	-	(5 735 517)	(4 661 598)	-18.72%
Net Cash from/(used) Financing Activities	196 451	3 918 289	4 114 740	-	-	4 114 740	606 659	-85.26%
NET INCREASE/(DECREASE) IN CASH HELD	8 182 818	(30 042 133)	(21 859 315)	-	-	(21 859 315)	(15 028 063)	-31.25%
Cash and Cash Equivalents at the year begin:	19 685 937	3 534 358	46 452 616	-	-	46 452 616	46 452 617	0.00%
Cash and Cash Equivalents at the year end:	27 868 755	(26 507 775)	24 593 301	-	-	24 593 301	31 424 554	27.78%

EXPLANATORY NOTES ON ALL MATERIAL VARIANCES LARGER THAN 10% PRESENTED IN NOTE 53

MATZIKAMA MUNICIPALITY

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised-April 2018) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

1.2 PRESENTATION CURRENCY

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.3 GOING CONCERN ASSUMPTION

These financial statements have been prepared on the going concern basis.

1.4 COMPARATIVE INFORMATION

1.4.1 Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as practicable and the prior year comparative figures are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as practicable and the prior year comparatives are restated accordingly.

1.4.2 Amended accounting policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the annual financial statements.

No significant amendments were made to the accounting policies in the current year.

1.5 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision of assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. The materiality is from management's perspective and does not necessarily correlate with the auditor's materiality. For the purposes of explaining variances on the face of the financial statements the figure of 10% is utilised by management and deemed appropriate.

1.6 PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following

- the approved and final budget amounts for the 2018/19 financial year
- the actual amounts and final budget amounts for the 2018/19 financial year

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements. Variances larger than 10% are seen as material, and explanations provided.

Explanations for differences between the final budget amounts and the actual amounts are included in the Notes to the Financial Statements. Variances larger than 10% are seen as material and explanations are provided.

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ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance. The following GRAP standards and interpretation of Standards of GRAP have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 20 (Original - June 2011)	<p><u>Related Party Disclosure</u></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt some of the disclosure requirements as per GRAP 20. Additional disclosure will be required with the full implementation of the Standard.</p>	01-Apr-19
GRAP 32 (Revised April 2019)	<p><u>Service Concession Arrangements: Grantor</u></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity. No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	01-Apr-19
GRAP 34 (Revised April 2019)	<p><u>Separate Financial Statements</u></p> <p>The objective of this Standard is to prescribe the accounting and disclosure requirements in controlled entities, joint ventures and associates when an entity prepares separate financial statements. No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 35 (Revised April 2019)	<p><u>Consolidated Financial Statements</u></p> <p>The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 36 (Revised April 2019)	<p><u>Investments in Associates and Joint Ventures</u></p> <p>The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 37 (Revised April 2019)	<p><u>Joint Arrangements</u></p> <p>The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements). No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 38 (Revised April 2019)	<p><u>Disclosure of Interest in Other Entities</u></p> <p>The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:</p> <p>(a) the nature of, and risks associated with, its interest in controlled entities unconsolidated controlled entities, joint arrangements and associates, and structure entities that are not consolidated; and (b) the effects of those interests on its financial position, financial performance and cash flows.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 104 (Revised April 2019)	<p><u>Financial Instruments</u></p> <p>The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. Movement from the incurred credit loss model to the expected credit loss model could potentially impact the provision for bad debts.</p>	Unknown
GRAP 108 (Revised April 2019)	<p><u>Statutory Receivables</u></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	01-Apr-19
GRAP 109 (Revised April 2019)	<p><u>Accounting by Principles and Agents</u></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	01-Apr-19
GRAP 110 (Revised April 2019)	<p><u>Living and non-living resources</u></p> <p>The objective of this Standard is to prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	01-Apr-20
IGRAP 1	<p><u>Applying the Probability Test on Initial Recognition of Revenue</u></p> <p>The Interpretation provide guidance on the assessment of the collectability and future economic benefits or service potential on initial recognition of revenue. No significant impact is expected in the foreseeable future.</p>	01-Apr-20
IGRAP 17	<p><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></p> <p>The Interpretation provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	01-Apr-19
IGRAP 18	<p><u>Recognition and De-recognition of Land</u></p> <p>The Interpretation provide guidance on when an entity should recognise and derecognise land as an asset in its financial statements. No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.</p>	01-Apr-19
IGRAP 19	<p><u>Liabilities to Pay Levies</u></p> <p>The Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19. No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.</p>	01-Apr-19
IGRAP 20	<p><u>Accounting for Adjustments to Revenue</u></p> <p>The Interpretation provides clarifies the accounting for adjustments to revenue. No significant impact is expected.</p>	01-Apr-20

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.8 RESERVES

1.8.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized. The transfer represents the amount budgeted for capital expenditure that will be funded by own income. Refer to note 39.3 for amount of R3 405 931 cash reserved for the CRR.

1.9 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.9.1 Municipality as Lessee

Operating Leases

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

1.9.2 Municipality as Lessor

Operating leases are those leases that do not fall within the scope of a finance lease. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset or a liability depending on the actual payments made.. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

Operating Leases

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset or a liability depending on the actual payments made.

1.10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable. Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this liability:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash is invested as an individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of creditors. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.11 UNPAID CONDITIONAL GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public. Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.12 PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation (net of recoveries) under an onerous contract shall be recognised and measured as a provision.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.13 EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.13.1 Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.13.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries. The projected credit unit method is used to value the liability.

1.13.3 Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee. Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

1.13.4 Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.13.5 Pension and Retirement Fund Obligations

The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued from time to time on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

1.13.6 Other Short-Term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset

1.14 BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.15 PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.15.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land (excluding Landfill sites) is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

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ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives and residual values are assessed at each reporting date whether there is any indication that the Municipality's expectations about the residual value and useful life of an asset have changed since the preceding reporting date. If any such indication exists, the Municipality shall revise the expected useful life and/ or residual value accordingly on the prospective basis. The annual depreciation rates are based on the following estimated average asset lives:

	Years		Years
Infrastructure		Other	
Storm water, Roads and Paving	15-100	Vehicles	6-24
Electricity	5-80	Furniture and Office Equipment	6-22
Water	15-100	Plant and Equipment	6-34
Sewerage	10-100	Computer Equipment	5-17
Solid Waste Disposal	10-100		
Landfill Sites	13-38	Land and Buildings	
		Land	Infinite
Community		Buildings	10-100
Buildings	10-100		
Recreational Facilities	15-100		
Libraries	15-100		
Taxi Ranks and Parking Areas	15-100		
Parks and gardens	49-100		
Cemeteries	10 - 100		

1.15.4 Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16 INTANGIBLE ASSETS

1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licenced, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights or obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.16.2 Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on the prospective basis. The annual amortisation rates are based on the following estimated average asset lives:

Intangible Assets	Years
Computer Software	15
Rights (Servitudes)	Indefinite

1.16.4 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.17 INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property is recognised as an asset when, and only when it is probable that future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality account for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.17.3 Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18 IMPAIRMENT OF NON-FINANCIAL ASSETS

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash generating assets, are as follows: (i) None of the assets are managed with the objective of generating positive cash flows are expected to be significantly higher than the cost of the asset; and (ii) although certain services assets generate positive cash flows, these are used for cross subsidisation of services assets that generate negative cash flows. At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash generating. The designation is made on the basis of a municipality's objective of using the asset. The municipality designates an asset or a cash-generating unit as cash-generating when its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset. The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services. An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return.

1.18.1 Cash Generating Assets

Cash-generating assets are assets held with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset. The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount. In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information

Evidence is available of obsolescence or physical damage of an asset.

Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The redesignation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash generating assets to a cash generating asset shall only occur when there is clear evidence that such redesignation is appropriate. A redesignation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal for an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Market prices and Market transactions less cost of disposal are used in determining fair value less costs to sell. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the nature of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.18.2 Non-Cash Generating Assets

Non-cash generating assets are assets other than cash-generating assets. The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or with annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount. In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

External sources of information

Cessation, or near cessation, of the demand or need for services provided by the asset.

Significant long term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

Internal sources of information

Evidence is available of physical damage of an asset

Significant long term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the extent to which, an asset is used or expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.

A decision to halt the construction of the asset before it is complete.

Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss and is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

Depreciation replacement cost approach

The present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Restoration cost approach

The cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service unit approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.19 INVENTORIES

1.19.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.19.2 Subsequent Measurement

Inventories, consisting of consumable stores, water at purification cost and graves are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the first-in-first-out method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale (graves) is assigned by using specific identification of their individual costs.

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.20 FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include non-statutory receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

1.20.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.20.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance.

Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.20.3 De-recognition of Financial Instruments

Financial Assets

The municipality derecognises financial assets using trade date accounting. The municipality derecognises a financial asset only when:

- *the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- *the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

*the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality: derecognise the asset; and recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair value at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial Liabilities

The Municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.20.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.21 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions. The municipality have the following statutory receivables; Property Rates, Fines and Taxes (VAT receivable). Disclosure about statutory receivables is stated in note 16 and note 47.

1.21.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset. The receivables are created by levying property rates to the value of properties in the Matzikama municipal area in terms of the Property Rates Act.

1.21.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount.

The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.21.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or valid or are waived;
- (b) the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case the Municipality (i) derecognise the receivable; and (ii) recognise separately any rights and obligations created or retained in the transfer.

1.22 REVENUE

1.22.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against related revenue as there is no intention of collecting this revenue.

Penalty interest on unpaid rates shall be recognised using the effective interest rate method as set out in GRAP 104

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality.

Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof is virtually certain. Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.22.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units. The pre-paid electricity sold, but not consumed yet at year-end is disclosed under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services and revenue is recognised when the service is provided.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- the prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.23 RELATED PARTIES

The Municipality regards a related party as a person or entity with the ability to control the Municipality either individually or jointly, or the ability to exercise significant influence over the Municipality, or vice versa.

Management is regarded as a related party and comprises the Executive Mayor, Deputy Mayor, Speaker, Mayoral Committee, Part-time Councillors, the Municipal Manager and the directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

A close family member of management is also considered to be a related party. A person is considered to be a close family member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.24 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means, overspending of a vote or a main division within a vote; and expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.25 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity

A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability. The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote.

A contingent asset is disclosed where the inflow of economic benefits or service potential is probable. Contingent assets usually arise from unplanned or other unexpected events that are not wholly within the control of the entity and give rise to the possibility of an inflow of economic benefits or service potential to the entity. Management judgement is required when recognising and measuring contingent assets and liabilities.

1.28 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.28.1 Post-retirement Medical Obligations and Long Service Awards

The cost of post retirement medical obligations, long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.28.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.28.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding the useful lives and residual values of property, plant and equipment.

- the useful life of movable assets was determined using the age of similar assets available for sale in active markets. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government industry guides were used to assist with deemed cost and useful lives for infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful lives of buildings. The Municipality also consulted with engineers to support the useful lives of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets. The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature currently in other municipalities' asset registers, provided that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.28.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. Management referred to the following when making assumptions regarding useful lives of intangible assets:

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful lives.

1.28.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful lives of buildings.
- The Municipality also consulted with engineers and valuers to support the useful lives of buildings.

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.28.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.28.7 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.28.8 Provision for Staff Leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.28.9 Revenue Recognition

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.28.10 Prepaid Electricity Estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using 5 days' worth of unused electricity.

1.29 TAXES - VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.30 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.31 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
2 NET ASSET RESERVES		
Capital Replacement Reserve	3 405 000	4 545 000
Total Net Asset Reserves	<u>3 405 000</u>	<u>4 545 000</u>

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilised. The transfer represents the amount budgeted for capital expenditure that will be funded out of own income.

3 LONG-TERM BORROWINGS		
Annuity loans at amortised cost	29 367 266	24 028 864
Current Portion transferred to Current Liabilities	(6 754 834)	(4 962 463)
Total Long-Term Liabilities at amortised cost using the effective interest rate method	<u>22 612 432</u>	<u>19 066 401</u>

3.1 The obligations under the annuity loans are scheduled as follows:

Payable within one year	9 387 791	6 486 503
Payable within two to five years	20 887 328	16 496 403
Payable after five years	10 028 181	11 701 045
	<u>40 303 300</u>	<u>34 683 951</u>
Less: Future finance obligations	(10 936 008)	(10 655 087)
Present value of annuity obligations	<u>29 367 292</u>	<u>24 028 864</u>

Annuity loans at amortised cost is calculated at an interest rate of 5.7% and 11.14%, with the first maturity date of 2 July 2020 and the last maturity date of 30 June 2027.
A new loan amounting to R10 million was raised during March 2019 at an interest rate of 10.08%.

4 NON-CURRENT PROVISIONS		
Landfill Sites	65 592 884	62 314 975
Employee Benefits	34 417 377	32 535 776
Total Non-Current Provisions	<u>100 010 261</u>	<u>94 850 751</u>

4.1 Landfill Sites

Balance 1 July	62 314 975	57 801 084
Additions	638 556	1 874 593
Interest cost	2 639 353	2 639 298
Total provision 30 JUNE 2019	<u>65 592 884</u>	<u>62 314 975</u>
Less: Transfer of Current portion to Current Provisions	-	-
Balance 30 JUNE 2019	<u>65 592 884</u>	<u>62 314 975</u>

The actual costs are determined by calculating the volumes of excavations, materials required and legal requirements according to the footprint of each individual site. For a new estimate the rates used for each item of work is based on current rates for similar activities. If a previous estimate was done for a specific site then the previous year's figures are escalated using the Consumer Price Index. The individual rates are then again cross-checked to determine if they are still in line with current rates for similar activities and adjusted accordingly.

The estimated rehabilitation cost for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Klawer	Vanrhynsdorp	Vredendal	Lutzville	Strandfontein	Doringbaai
Rehabilitation Area(m2)	11 594	25 641	50 387	37 327	7 716	10 673
Preliminary and General (R)	435 603	1 367 617	975 567	802 227	230 126	278 445
Site Clearance (R)	35 710	78 974	155 192	114 967	23 765	32 873
Storm Water Control (R)	1 122 245	1 514 257	2 083 799	2 201 466	848 093	845 189
Capping (R)	851 301	7 836 175	3 699 716	2 740 772	566 555	783 676
Leachate Management (R)	245 414	328 956	458 702	662 656	195 009	316 821
Fencing (R)	856 783	10 333	570 926	10 333	10 333	10 333
Other (R)	384 296	810 034	524 372	931 117	486 442	353 060
Contingencies (R)	354 706	1 113 631	794 390	653 242	187 388	226 734
Engineering (R)	292 632	918 746	655 372	538 925	154 595	187 055
Site Supervision (R)	366 454	791 754	628 796	579 514	397 069	399 439
Total (Excl VAT) (R)	<u>4 945 144</u>	<u>14 770 477</u>	<u>10 546 831</u>	<u>9 235 219</u>	<u>3 099 375</u>	<u>3 433 624</u>
Rehab cost (R) /m2	427	576	209	247	402	322
Estimated construction period(weeks)	12	16	20	18	12	12

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Bitterfontein	Kliprand	Rietpoort	Nuwerus	Ebenhaeser	Koekenaap
Rehabilitation Area(m2)	4 658	1 818	796	3 276	3 918	5 044
Preliminary and General (R)	323 328	167 541	107 590	148 929	241 744	489 657
Site Clearance (R)	14 347	5 599	2 452	10 090	12 067	15 536
Storm Water Control (R)	683 442	524 132	318 432	608 623	761 881	972 497
Capping (R)	1 436 226	540 993	58 447	291 526	307 431	1 549 333
Leachate Management (R)	165 139	115 668	88 598	143 204	150 205	223 945
Fencing (R)	10 333	10 333	300 567	10 333	495 157	736 241
Other (R)	434 041	446 109	504 508	497 474	359 872	359 576
Contingencies (R)	263 282	136 427	87 609	121 270	196 848	398 721
Engineering (R)	217 207	112 552	72 277	100 048	162 400	328 945
Site Supervision (R)	629 537	556 526	337 512	285 644	407 605	504 660
Total (Excl VAT) (R)	4 176 882	2 615 880	1 877 992	2 217 141	3 095 210	5 579 111
Rehab cost (R)/m2	897	1 439	2 359	677	780	1 106
Estimated construction period(weeks)	12	8	9	8	8	10

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

Location	Date	2019 R	2018 R
Klawer	30/03/2024	4 945 144	4 779 174
Vanrhynsdorp	30/06/2024	14 770 477	13 569 430
Vredendal	31/03/2024	10 546 831	10 103 729
Lutzville	21/04/2024	9 235 219	8 454 219
Strandfontein	26/05/2024	3 099 375	3 009 755
Doringbaai	31/03/2024	3 433 624	3 370 346
Bitterfontein	27/05/2024	4 176 882	4 034 480
Kliprand	27/08/2024	2 615 880	2 688 137
Rietpoort	21/04/2024	1 877 992	1 758 857
Nuwerus	19/06/2024	2 217 141	2 111 317
Ebenhaeser	19/05/2024	3 095 210	3 087 083
Koekenaap	07/11/2024	5 579 111	5 348 448
		65 592 886	62 314 975

4.2 Employee Benefits

Post Retirement Benefits - note 4.2.1	28 779 355	27 143 107
Long Service Awards - note 4.2.2	5 638 022	5 392 669
Total Non-current Employee Benefit Liabilities	34 417 377	32 535 776
Balance 1 July	34 368 577	32 305 343
Current Service Cost	1 647 867	1 654 387
Interest Cost	3 122 710	2 954 388
Contributions (Benefits paid/ Vesting)	(1 921 571)	(1 590 608)
Actuarial Loss / (Gain)	(601 061)	(954 933)
Total employee benefits 30 June	36 616 522	34 368 577
Less: Transfer of Current Provision - note 6	(2 199 145)	(1 832 801)
Balance 30 June	34 417 377	32 535 776

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 647 867	1 654 387
Interest Cost - note 33	3 122 710	2 954 388
Actuarial (gains)/losses	(601 061)	(954 933)
Total expenditure recognised in the Statement of Financial Performance	4 169 516	3 653 842

4.2.1 Post Retirement Benefits

Balance 1 July	28 536 628	27 087 934
Current Service Cost	1 117 647	1 174 412
Interest Cost	2 632 354	2 520 238
Contributions (Benefits paid)	(1 416 006)	(1 212 083)
Actuarial Gain	(551 200)	(1 033 873)
Total post retirement benefits 30 June	30 319 423	28 536 628
Less: Transfer of Current Provision - note 6	(1 540 068)	(1 393 521)
Balance 30 June	28 779 355	27 143 107

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
The Post Retirement Benefit Plan is a defined benefit plan of which the members are made up as follows:		
In-service (employee) members	115	113
In-service (employee) non-members	125	60
Continuation members (e.g. Retirees, widows, orphans)	36	33
Total Members	276	206

	2019 R	2018 R	2017 R	2016 R	2015 R
The liability in respect of past service has been estimated to be as follows:					
In-service members	10 662 586	10 530 407	10 844 723	11 423 790	9 216 529
In-service non-members	1 619 492	2 122 331	1 963 351	1 770 364	2 482 585
Continuation members	18 037 345	15 883 890	14 279 860	13 521 863	13 148 779
Total Liability	30 319 423	28 536 628	27 087 934	26 716 017	24 847 893

History of experience adjustments were calculated as follows:

Liabilities: (Gain)/ Loss	652 000	754 000	833 000	64 000	1 838 000
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The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas, LA Health, Samwumed, Keyhealth and Hosmed

Key actuarial assumptions used:

	2019	2018
i Rate of interest		
Discount rate	9.22%	9.45%
Health Care Cost Inflation Rate	6.73%	7.31%
Effective discount rate	2.33%	1.99%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii Mortality rates

Mortality during employment - SA 85-90

Mortality post-retirement - PA90-1

iii Normal retirement age

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill-health retirement.

iv Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

v Expected rate of salary increases

2019/2020 - average CPI (Feb 2019 – Jan 2020) + 1.5 per cent

2020/2021 - average CPI (Feb 2020 – Jan 2021) + 1.5 per cent

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	30 319 423	28 536 628
Total Liability	30 319 423	28 536 628

The Fund is wholly unfunded. The Municipality recognises the full increase in this defined benefit liability immediately as per GRAP 25, Employee Benefits.

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost - note 27	1 117 647	1 174 412
Interest Cost	2 632 354	2 520 238
Actuarial Gains	(551 200)	(1 033 873)
Total expenditure recognised in the Statement of Financial Performance	3 198 801	2 660 777

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	28 536 628	27 087 934
Total expenses	2 333 995	2 482 567
Current service cost	1 117 647	1 174 412
Interest Cost	2 632 354	2 520 238
Contributions (Benefits Paid)	(1 416 006)	(1 212 083)
Actuarial Gains	(551 200)	(1 033 873)
Present value of fund obligation at the end of the year	30 319 423	28 536 628
Less: Transfer of Current Portion - note 6	(1 540 068)	(1 393 521)
Balance 30 June	28 779 355	27 143 107

Contributions or benefits paid refer to medical scheme contributions made by the Municipality with respect to its subsidy of current continuation members.

Sensitivity Analysis on the Accrued Liability

			In-service members liability	Continuation members liability	Total Liability
			R	R	R
Central Assumptions			12 282 078	18 037 345	30 319 423
The effect of movements in the assumptions are as follows:					
	Change	In-service members liability	Continuation members liability	Total Liability	Change
		R	R	R	%
Health care inflation	+1%	15 118 000	19 776 000	34 894 000	15%
Health care inflation	-1%	10 079 000	16 528 000	26 607 000	(12%)
Discount rate	+1%	10 141 000	16 573 000	26 714 000	(12%)
Discount rate	-1%	15 074 000	19 750 000	34 824 000	15%
Post-retirement mortality	-1 year	12 642 000	18 740 000	31 382 000	4%
Average retirement age	-1 year	13 384 000	18 037 000	31 421 000	4%
Continuation of membership at retirement	-10%	9 897 000	18 037 000	27 934 000	(8%)

Sensitivity Analysis on the Current-Service and Interest Cost

Assumption	Change	Current Service Cost R	Interest Cost R	Total R	Change %
Central Assumptions		1 117 600	2 632 400	3 750 000	
Health care inflation	+1%	1 408 800	3 040 300	4 449 100	19%
Health care inflation	-1%	894 200	2 300 400	3 194 600	(15%)
Discount rate	+1%	907 900	2 553 200	3 461 100	(8%)
Discount rate	-1%	1 392 500	2 714 500	4 107 000	10%
Post-retirement mortality	-1 year	1 154 700	2 731 900	3 886 600	4%
Average retirement age	-1 year	1 205 800	2 739 600	3 945 400	5%
Continuation of membership at retirement	-10%	979 300	2 479 500	3 458 800	(8%)

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

History of Liabilities

	2019 R	2018 R	2017 R	2016 R	2015 R
Accrued Liability	30 319 423	28 536 628	27 087 934	26 716 017	24 847 893
Surplus	30 319 423	28 536 628	27 087 934	26 716 017	24 847 893

Best estimate of benefit payments expected in the next annual period

	2020 R	2021 R
Present value of fund obligation at the beginning of the year	28 536 628	30 319 423
Total expenses	2 333 995	2 464 207
Current service cost	1 117 647	1 278 256
Interest Cost	2 632 354	2 726 019
Benefits Paid	(1 416 006)	(1 540 068)
Actuarial gain	(551 200)	-
Present value of fund obligation at the end of the year	<u>30 319 423</u>	<u>32 783 630</u>

4.2.2 Long Service Awards

	2019 R	2018 R
Balance 1 July	5 831 949	5 217 409
Current Service Cost	530 220	479 975
Interest Cost	490 356	434 150
Benefits Vesting	(505 565)	(378 525)
Actuarial Loss / (Gain)	(49 861)	78 940
Total long service awards 30 June	6 297 099	5 831 949
Less: Transfer of Current Provision - note 6	(659 077)	(439 280)
Balance 30 June	5 638 022	5 392 669

The Long Service Awards plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Awards.

Key actuarial assumptions used:

	2019	2018
i Rate of interest	%	%
Discount rate	8.30%	8.73%
General Salary Inflation (long term)	5.64%	6.29%
Net Discount Rate applied to salary-related Long Service Awards	2.52%	2.30%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

ii Mortality rates

Mortality during employment - SA 85-90

iii Average retirement age

62

	2019 R	2018 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	6 297 099	5 831 949
Total Liability	6 297 099	5 831 949

The fund is wholly unfunded.

The amounts recognised in the Statement of Financial Performance are as follows:

	2019	2018
Current service cost - note 27	530 220	479 975
Interest Cost	490 356	434 150
Actuarial (gains)/losses	(49 861)	78 940
Total expenditure recognised in the Statement of Financial Performance	970 715	993 065

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The liability of periods commencing prior to the comparative year has been estimated as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Liabilities	6 297 099	5 831 949	5 217 409	5 446 409	4 695 433

History of experience adjustments were calculated as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Liabilities: (Gain) / Loss	931 503	195 916	(468 372)	248 501	(72 616)

The first actuarial valuation was performed on 30 June 2013. Thus there are no experience adjustment figures available before 30 June 2013.

	2019 R	2018 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	5 831 949	5 217 409
Total expenses	515 011	535 600
Current service cost	530 220	479 975
Interest Cost	490 356	434 150
Benefits Vesting	(505 565)	(378 525)
Actuarial (gains)/losses	(49 861)	78 940
Present value of fund obligation at the end of the year	6 297 099	5 831 949
Less: Transfer of Current Portion - note 6	(659 077)	(439 280)
Balance 30 June	5 638 022	5 392 669

Sensitivity Analysis on the Accrued Liability

Assumption	Change	Total Liability R	Change %
Central Assumptions		6 297 099	
Health care inflation	+1%	6 772 000	8%
Health care inflation	-1%	5 871 000	-7%
Discount rate	+1%	5 859 000	-7%
Discount rate	-1%	6 795 000	8%
Post-retirement mortality	-2 years	5 446 000	-14%
Average retirement age	+2 years	7 180 000	14%
Continuation of membership at retirement	-50%	7 305 000	16%

Sensitivity Analysis on the Current-Service and Interest Cost

Assumption	Change	Current Service Cost R	Interest Cost R	Total R	Change %
Central Assumptions		530 200	490 400	1 020 600	
Health care inflation	+1%	580 000	530 300	1 110 300	9%
Health care inflation	-1%	486 400	454 700	941 100	-8%
Discount rate	+1%	489 900	505 600	995 500	-2%
Discount rate	-1%	576 700	471 200	1 047 900	3%
Post-retirement mortality	-2 years	481 600	440 100	921 700	-10%
Average retirement age	+2 years	581 000	543 600	1 124 600	10%
Continuation of membership at retirement	-50%	677 900	582 800	1 260 700	24%

History of Liabilities	2019 R	2018 R	2017 R	2016 R	2015 R
Accrued Liability	6 297 099	5 831 949	5 217 409	5 446 453	4 695 477
Surplus	6 297 099	5 831 949	5 217 409	5 446 453	4 695 477

Best estimate of benefit payments expected in the next annual period

	2020 R	2021 R
Present value of fund obligation at the beginning of the year	5 831 949	6 297 099
Total expenses	465 150	463 611
Current service cost	530 220	626 835
Interest Cost	490 356	495 853
Benefits Vesting	(505 565)	(659 077)
Actuarial gain	(49 861)	-
Present value of fund obligation at the end of the year	6 297 099	6 760 710

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
4.2.3 Retirement Funds		
<p>The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined by GRAP 25.</p> <p>As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.</p> <p>Therefore, although the Cape Joint Pension Fund and Cape Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.</p>		
Cape Joint Pension Fund		
<p>The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a funding level of 101.7% (30 June 2013 - 99.2%)</p>		
	2019 R	Restated 2018 R
Contributions paid recognised in the Statement of Financial Performance	33 450	31 262
Cape Retirement Fund		
<p>The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in sound financial position with a funding level of 153.1% (30 June 2015 - 153.1%).</p>		
Contributions paid recognised in the Statement of Financial Performance	12 786 803	10 239 803
Defined Contribution Funds		
<p>Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.</p>		
Contributions paid recognised in the Statement of Financial Performance	993 997	948 929
5 CONSUMER DEPOSITS		
Water and Electricity	-	4 731 743
Total Consumer Deposits	-	4 731 743
<p>Consumer deposits for water and electricity were repaid during the 2018/19 financial year.</p>		
6 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - note 4.2.1	1 540 068	1 393 521
Current Portion of Long-Service Provisions - note 4.2.2	659 077	439 280
Staff Leave	7 995 033	6 560 597
Staff Bonuses	3 764 438	2 870 725
Pension	33 979	33 979
Total Current Employee Benefits	13 992 595	11 298 102
<p>The movement in current employee benefits are reconciled as follows:</p>		
6.1 Staff Leave		
Balance at beginning of year	6 560 597	5 595 781
Contribution to current portion	2 616 913	1 776 746
Expenditure incurred	(1 182 478)	(811 930)
Balance at end of year	7 995 032	6 560 597
<p>Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. The provision will be realised as employees take leave. There is no possibility of reimbursement.</p>		
6.2 Bonuses Accrued		
Balance at beginning of year	2 870 725	2 611 332
Contribution to current portion	6 819 011	5 950 770
Expenditure incurred	(5 925 298)	(5 691 377)
Balance at end of year	3 764 438	2 870 725
<p>Bonuses are being paid to all municipal staff. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.</p>		

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
6.3 Pension		
Balance at beginning of year	33 979	33 979
Contribution to current portion	-	-
Expenditure incurred	-	-
Balance at end of year	<u>33 979</u>	<u>33 979</u>
Pension payments to staff who did not belong to a pension fund in 1994, according to a formula prescribed by a collective agreement. Payment of the amount will occur when the respective employees retire. There is no possibility of reimbursement.		
7 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	34 197 872	28 838 388
Sundry Creditors	2 707 763	2 736 312
Deposit investment property sales	256 862	249 421
Payments received in advance	4 891 456	3 155 794
Retentions	1 495 454	1 834 794
Total Trade Payables	<u>43 549 407</u>	<u>36 814 709</u>
Payables are recognised net of any discounts.		
Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary. All payables are unsecured.		
Sundry creditors include sundry deposits for halls, builders and housing deposits.		
The municipality is in a position to settle its financial obligations as and when they become due in the normal course of business		
8 UNSPENT TRANSFERS AND SUBSIDIES		
Unspent Provincial Government Grants	22 745 722	22 699 967
Unpaid National Government Grants	(30 915)	-
Total Unspent Transfers and Subsidies	<u>22 714 807</u>	<u>22 699 967</u>
Refer to note 20 for a detail reconciliation of grants.		
Unspent grants can mainly be ascribed to project work in progress at the end of relevant financial years.		
9 VALUE ADDED TAXATION		
9.1 VAT PAYABLE		
VAT Output charged on accounts in suspense	7 515 365	5 390 338
Less: VAT Output charged on payments received in advance in suspense	(829 113)	(142 261)
: Contribution to Provision for Doubtful Debts	(5 305 267)	(3 502 392)
VAT Payable to SARS	-	2 023 417
Total VAT Payable	<u>1 380 985</u>	<u>3 769 103</u>
9.2 VAT RECEIVABLE		
VAT Input in suspense	4 495 754	5 483 683
VAT receivable	2 571 740	-
Total VAT Receivable	<u>7 067 494</u>	<u>5 483 683</u>
9.3 Net VAT Receivable	<u>5 686 509</u>	<u>1 714 580</u>
VAT is payable on the receipt basis. VAT is paid over to SARS when payment is received from debtors.		

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

10 PROPERTY, PLANT AND EQUIPMENT

2019

	Cost				Accumulated Depreciation and Impairment					Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Impairments	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Land and Buildings	57 734 643	4 308 642	-	62 043 285	7 171 686	419 229	-	-	7 590 914	54 452 371
Land	15 009 582	3 162 500	-	18 172 082	-	-	-	-	-	18 172 082
Buildings	42 725 061	1 146 142	-	43 871 203	7 171 685	419 229	-	-	7 590 914	36 280 289
Infrastructure	497 084 267	65 111 430	-	562 195 697	95 408 102	10 196 531	-	-	105 604 633	456 591 064
Storm water & Roads	153 056 395	42 882 251	-	195 938 646	27 014 079	3 632 785	-	-	30 646 864	165 291 782
Sewerage	190 930 395	3 573 560	-	194 503 955	27 149 280	3 591 916	-	-	30 741 196	163 762 759
Electricity	50 445 237	3 143 027	-	53 588 264	19 474 392	1 366 231	-	-	20 840 623	32 747 641
Water	101 977 958	15 512 593	-	117 490 550	21 603 603	1 567 598	-	-	23 171 201	94 319 350
Solid Waste Disposal	674 281	-	-	674 281	166 747	38 001	-	-	204 748	469 533
Community Assets	101 492 005	2 523 798	-	104 015 802	6 313 248	757 118	-	-	7 070 366	96 945 437
Parks and Gardens	21 439 049	9 131	-	21 448 180	143 800	28 338	-	-	172 138	21 276 042
Libraries	2 453 906	577 215	-	3 031 121	320 213	70 816	-	-	391 029	2 640 091
Recreational Facilities	47 587 369	1 545 987	-	49 133 355	2 930 594	404 163	-	-	3 334 757	45 798 598
Ranks and Parkings	5 252 500	-	-	5 252 500	118 636	10 798	-	-	129 434	5 123 066
Cemeteries	685 000	-	-	685 000	2 310	210	-	-	2 520	682 480
Buildings	24 074 181	391 465	-	24 465 647	2 797 694	242 793	-	-	3 040 487	21 425 160
Other Assets	31 565 549	10 969 714	(236 419)	42 298 844	16 756 295	1 802 066	(89 419)	118 755	18 587 697	23 711 147
Furniture & Office Equipment	4 593 665	672 705	(29 772)	5 236 598	2 639 849	354 470	(25 763)	37 886	3 006 442	2 230 156
Vehicles	22 035 980	9 571 821	(12 436)	31 595 365	12 186 127	894 842	(12 193)	22 509	13 091 285	18 504 080
Plant & Equipment	3 271 223	271 407	(173 932)	3 368 698	1 597 930	297 604	(38 573)	33 411	1 890 372	1 478 326
Computer equipment	1 664 681	453 781	(20 279)	2 098 183	332 389	255 150	(12 890)	24 949	599 598	1 498 585
Landfill Sites	31 670 446	638 557	-	32 309 003	19 569 860	1 175 151	-	-	20 745 011	11 563 992
Total	719 546 910	83 552 141	(236 419)	802 862 632	145 219 190	14 350 095	(89 419)	118 755	159 598 620	643 264 012

Refer to Note 11, amount of R3 162 500 Land Additions are land transfer from Investment Property.

Refer to Note 11, amount of R64 000 Buildings Additions are buildings transfer from Investment Property.

2018 RESTATED

	Cost				Accumulated Depreciation and Impairment					Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Impairments	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Land and Buildings	57 012 006	722 637	-	57 734 643	6 765 118	406 567	-	-	7 171 686	50 562 957
Land	15 009 582	-	-	15 009 582	-	-	-	-	-	15 009 582
Buildings	42 002 424	722 637	-	42 725 061	6 765 118	406 567	-	-	7 171 686	35 553 375
Infrastructure	465 272 203	33 307 225	(1 495 162)	497 084 267	86 844 287	9 410 127	(846 313)	-	95 408 101	401 676 165
Storm water & Roads	137 282 477	17 269 080	(1 495 162)	153 056 395	24 475 244	3 385 149	(846 313)	-	27 014 079	126 042 316
Sewerage	188 467 628	2 462 768	-	190 930 395	23 729 445	3 419 835	-	-	27 149 280	163 781 115
Electricity	48 277 369	2 167 868	-	50 445 237	18 227 680	1 246 712	-	-	19 474 392	30 970 845
Water	90 570 448	11 407 510	-	101 977 958	20 283 202	1 320 401	-	-	21 603 603	80 374 355
Solid Waste Disposal	674 281	-	-	674 281	128 716	38 031	-	-	166 747	507 534
Community Assets	99 226 347	2 265 658	-	101 492 005	5 542 486	687 456	-	83 305	6 313 248	95 178 757
Parks and Gardens	21 439 049	-	-	21 439 049	112 955	30 845	-	-	143 800	21 295 249
Libraries	2 453 906	-	-	2 453 906	249 556	70 657	-	-	320 213	2 133 692
Recreational Facilities	45 321 711	2 265 658	-	47 587 369	2 599 665	331 039	-	-	2 930 704	44 656 665
Ranks and Parkings	5 252 500	-	-	5 252 500	107 829	10 805	-	-	118 634	5 133 866
Cemeteries	685 000	-	-	685 000	2 100	210	-	-	2 310	682 690
Buildings	24 074 181	-	-	24 074 181	2 470 382	243 899	-	83 305	2 797 586	21 276 595
Other Assets	29 523 828	2 042 520	(798)	31 565 550	15 488 050	1 268 883	(641)	-	16 756 293	14 809 257
Furniture & Office Equipment	3 998 974	595 489	(798)	4 593 665	2 396 453	244 036	(641)	-	2 639 848	1 953 817
Vehicles	22 013 080	22 900	-	22 035 980	11 488 310	697 816	-	-	12 186 126	9 849 854
Plant & Equipment	2 686 996	584 227	-	3 271 223	1 414 121	183 809	-	-	1 597 930	1 673 293
Computer equipment	824 778	839 904	-	1 664 682	189 166	143 222	-	-	332 388	1 332 294
Landfill Sites	29 795 854	1 874 593	-	31 670 446	17 451 247	2 057 435	-	61 179	19 569 860	12 100 586
Total	680 830 238	40 212 632	(1 495 960)	719 546 910	132 091 189	13 830 468	(846 954)	144 484	145 219 187	574 327 723

Refer to Note 40 for restated disclosures

The effect of the Change in Accounting estimates due to the review of useful lives and residual values is as follows:

	2018	2019
	R	R
Increase / (Decrease) in depreciation on Landfill sites for the year	(868 770)	(445 047)

During the year under review the municipality assessed the conditions of property, plant and equipment. The estimation of rehabilitation cost for the landfill sites and the remaining useful lives of landfill resulted in additional depreciation. The change in accounting estimate led to a net increase on property, plant and equipment to the amount of R445 047 (2018: R868 770). Refer to note 10. The estimation of rehabilitation cost for the landfill sites resulted in the provision being increased by R638 557 resulted in R638 557 increased assets.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
10.1 Property, plant and equipment in process of being constructed or developed		
Buildings	1 489 432	722 637
Storm water & Roads	4 390 469	376 569
Sewerage	285 799	108 985
Electricity	3 280 020	136 993
Water	9 399 883	59 077
Community Buildings	391 465	-
Parks and gardens	9 131	-
Recreational Facilities	995 936	-
	20 242 135	1 404 261
11 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	67 344 800	67 709 582
Fair Value Adjustments	23 838 200	353 218
Disposals - current year	(74 000)	(718 000)
Transfers to Property, plant and equipment	(3 226 500)	
Carrying amount at 30 June	87 882 500	67 344 800
Revenue derived from the rental of investment property	2 265 175	2 121 750
Operating expenditure incurred on properties generating revenue	8 875	9 376
Investment property amounting to R3 226 500 was transferred PPE (Land) due to its service delivery application by the municipality. There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality. There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements. The fair model is applied to Investment property. Revaluation of all Investment Property was performed by a Professional Valuer, SWK Valuers. Each property was identified and inspected and fair values adjusted where appropriate. Each of the three main methods (Compare sales method, Capitalization of income approach and Replacement cost minus depreciation valuation) of valuing property was adopted, depending on the specific property.		
12 INTANGIBLE ASSETS		
Computer Software and Rights		
Net Carrying amount at 1 July	610 882	212 200
Cost	997 224	547 669
Accumulated Amortisation	(386 342)	(335 469)
Additions	-	449 555
Amortisation	(119 165)	(50 874)
Net Carrying amount at 30 June	491 717	610 882
Cost	997 224	997 224
Accumulated Amortisation	(505 507)	(386 342)
Computer Software have a life span of 15 years and rights (servitudes) have an indefinite lifespan because there is no foreseeable limit to the period over which the servitudes are expected to generate net cash inflows or service potential for the municipality. The carrying value of Rights amount to R20 579 which equals the Fair Value. There are no internally generated intangible assets at reporting date. There are no intangible assets whose title is restricted. There are no intangible assets pledged as security for liabilities. There are no contractual commitments for the acquisition of intangible assets.		
13 LONG TERM RECEIVABLES		
Receivables from non-exchange transactions with repayment arrangements at amortised cost	2 049 060	721 399
Less: Provision for Debt Impairment	(1 024 530)	(360 699)
Less: Current portion transferred to current receivables	(768 397)	(240 466)
Total Long Term Receivables from non-exchange transactions	256 133	120 234
The provision for Debt Impairment could be allocated to the different classes of Long-Term Receivables as follows:		
Reconciliation of Provision for Debt Impairment		
Balance at beginning of year	360 699	325 242
Contribution to provision	663 831	35 457
Balance at end of year	1 024 530	360 699
Receivables subject to repayment arrangements are debtors which are repaying their outstanding consumers accounts over a period of more than 12 months. There are no standard repayment terms, therefore no age analysis is available for long term receivables.		
14 INVENTORY		
Consumable Stores - at cost	7 019	120 875
Water - at purification cost	442 313	470 435
Graves are carried at cost	17 440	103 509
Total Inventory	466 772	694 818
Inventories recognised as an expense during the year:		
Consumables	5 670 229	5 107 247
Water and Graves	4 341 935	3 421 950
Total Inventory recognised as an expense	10 012 164	8 529 196
No inventories were pledged as security for liabilities		

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	R	R
15 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service Receivables	67 419 974	59 470 266
Electricity	8 310 463	8 237 704
Water	10 434 073	6 999 391
Waste Management	11 430 683	10 599 536
Waste Water Management	10 480 618	9 946 161
VAT charged on Accounts	7 515 365	5 390 338
Interest	5 584 848	2 233 552
Other Arrears	13 663 924	16 063 585
Other Receivables		
Sundry Receivables	1 756 582	1 357 381
Total: Receivables from exchange transactions (before provision)	69 176 556	60 827 647
Less: Provision for doubtful debts	(43 555 229)	(40 371 776)
Total: Receivables from exchange transactions (after provision)	25 621 327	20 455 871
Consumer debtors are receivable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.		
Other arrears include accounts handed over for collection, pensioners medical aid receivables and other non-service charges.		
Electricity: Ageing		
Current (0 - 30 days)	5 092 137	5 165 597
31 - 60 Days	1 178 835	1 070 793
61 - 90 Days	271 529	438 236
+ 90 Days	1 767 962	1 563 079
Total	8 310 463	8 237 704
Water: Ageing		
Current (0 - 30 days)	1 761 664	822 673
31 - 60 Days	807 726	390 545
61 - 90 Days	691 978	396 584
+ 90 Days	7 172 705	5 389 589
Total	10 434 073	6 999 391
Waste Management: Ageing		
Current (0 - 30 days)	920 164	1 177 363
31 - 60 Days	641 262	662 866
61 - 90 Days	462 566	503 616
+ 90 Days	9 406 691	8 255 691
Total	11 430 683	10 599 536
Waste Water Management: Ageing		
Current (0 - 30 days)	801 448	1 140 405
31 - 60 Days	630 389	655 461
61 - 90 Days	482 479	527 329
+ 90 Days	8 566 302	7 622 967
Total	10 480 618	9 946 161
(VAT Charged on Accounts) : Ageing		
Current (0 - 30 days)	1 300 135	1 258 457
Past Due (31 - 60 Days)	494 970	428 875
Past Due (61 - 90 Days)	289 494	269 842
Past Due (90 Days +)	5 430 766	3 433 164
Total	7 515 365	5 390 338
(Interest) : Ageing		
Current (0 - 30 days)	423 374	400 141
Past Due (31 - 60 Days)	453 405	593
Past Due (61 - 90 Days)	414 347	7 508
Past Due (90 Days +)	4 293 722	1 825 311
Total	5 584 848	2 233 552
Other: Ageing		
Current (0 - 30 days)	245 834	222 378
31 - 60 Days	129 435	134 426
61 - 90 Days	67 390	113 726
+ 90 Days	13 221 265	15 593 055
Total	13 663 924	16 063 585

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Total: Ageing

Current (0 - 30 days)	10 544 756	10 187 013
31 - 60 Days	4 336 022	3 343 558
61 - 90 Days	2 679 783	2 256 840
+ 90 Days	49 859 413	43 682 855
Total	67 419 974	59 470 266

Service Receivables Balances past due not impaired: (Ageing)

31 - 60 Days	3 475 369	2 522 402
61 - 90 Days	2 098 923	1 709 281
+ 90 Days	1 563 283	1 600 757
Total	7 137 575	5 832 439

Summary of Debtors by Customer Classification 30 JUNE 2019

	Residential	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 - 30 days)	6 593 434	2 783 725	1 167 597
31 - 60 Days	3 657 586	573 446	104 990
61 - 90 Days	2 509 743	137 928	32 112
+ 90 Days	48 653 643	1 057 339	148 431
Sub-total	61 414 406	4 552 439	1 453 130
Less: Provision for doubtful debts	(42 401 479)	(988 710)	(165 041)
Total debtors by customer classification	19 012 927	3 563 729	1 288 089

Summary of Debtors by Customer Classification 30 June 2018

	Residential	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 - 30 days)	6 387 207	2 904 868	894 938
31 - 60 Days	2 534 541	748 741	60 276
61 - 90 Days	1 971 514	273 388	11 937
+ 90 Days	42 661 511	888 001	133 344
Sub-total	53 554 773	4 814 998	1 100 495
Less: Provision for doubtful debts	(39 028 078)	(1 098 339)	(204 851)
Total debtors by customer classification	14 526 695	3 716 659	895 644

	2019 R	2018 R
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Reconciliation of Provision for Debt Impairment

Balance at beginning of year	64 685 502	51 273 569
Contribution to provision - Exchange Transactions	8 177 589	5 956 365
Contribution to provision - Non Exchange Transactions	11 918 674	11 759 372
Bad debts written off	(4 500 127)	(4 303 804)
Balance at end of year	80 281 638	64 685 502
Receivables from Exchange Transactions	43 555 229	40 371 776
Receivables from Non-Exchange Transactions	35 701 880	23 953 026
Long term receivables	1 024 530	360 700
	80 281 638	64 685 502

16 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

		Restated
Taxes - Rates	13 074 665	13 301 683
Fines	30 656 619	18 696 139
Other Receivables	555 219	436 994
	44 286 503	32 434 816
Less: Provision for doubtful debts	(35 701 879)	(23 953 025)
Total Receivables from non-exchange transactions	8 584 624	8 481 791

Rates: Ageing

Current (0 - 30 days)	2 570 850	2 774 494
31 - 60 Days	837 533	953 054
61 - 90 Days	540 985	568 190
+ 90 Days	9 125 297	9 005 945
Total	13 074 665	13 301 683

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
Fines: Ageing		
Current (0 - 30 days)	924 250	1 520 157
31 - 60 Days	1 049 000	1 872 441
61 - 90 Days	804 250	1 324 475
+ 90 Days	27 879 119	13 979 066
Total	<u>30 656 619</u>	<u>18 696 139</u>

Fines ageing for 2017/2018 are not available due to change in system.

Rates Balances past due not impaired: (Ageing)		
31 - 60 Days	792 919	834 715
61 - 90 Days	512 559	503 004
+ 90 Days	380 581	380 957
Total	<u>1 686 059</u>	<u>1 718 676</u>

Summary of Debtors by Customer Classification 30 JUNE 2019

	Residential R	Industrial/ Commercial R	National and Provincial Government R
Current (0 - 30 days)	2 130 346	425 206	15 297
31 - 60 Days	760 123	67 313	10 096
61 - 90 Days	503 642	27 287	10 056
+ 90 Days	7 029 187	138 435	1 957 675
Sub-total	10 423 299	658 241	1 993 125
Less: Provision for doubtful debts	(6 848 866)	(139 450)	(1 949 708)
Total debtors by customer classification	<u>3 574 433</u>	<u>518 791</u>	<u>43 417</u>

Summary of Debtors by Customer Classification 30 June 2018

	Residential R	Industrial/ Commercial R	National and Provincial Government R
Current (0 - 30 days)	2 357 605	407 336	9 553
31 - 60 Days	852 341	83 661	17 052
61 - 90 Days	525 895	31 196	11 098
+ 90 Days	5 703 763	140 177	3 162 005
Sub-total	9 439 604	662 370	3 199 708
Less: Provision for doubtful debts	(5 787 075)	(181 069)	(3 157 646)
Total debtors by customer classification	<u>3 652 530</u>	<u>481 302</u>	<u>42 062</u>

17 OPERATING LEASE ASSET

	2019 R	2018 R
Balance on 1 July	87 564	81 591
Movement during the year	(1 384)	5 972
Current Portion transferred to Current Assets	(7 643)	(1 383)
Balance on 30 June	<u>78 537</u>	<u>86 180</u>

At the Statement of Financial Position date, where the Municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	103 872	107 585
1 to 5 Years	345 384	353 959
More than 5 Years	8 029	103 325
Total Operating Lease Arrangements	<u>457 285</u>	<u>564 869</u>

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The Municipality is leasing land and buildings to different rate payers for periods ranging from 36 to 120 months with escalations of between 3% and 10% per year.

The leases are in respect of land and buildings being leased out for previous ranging until 2024.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year.

18 CASH AND CASH EQUIVALENTS

Current Accounts	29 411 445	44 571 095
Call Investment deposits	2 007 489	1 875 902
Cash Floats	5 620	5 620
Total Cash and Cash Equivalents - Assets	<u>31 424 554</u>	<u>46 452 617</u>

Cash and cash equivalents comprise cash held and short term deposits.

There are restrictions on the cash and cash equivalent assets as the unspent conditional grants are cash backed.

The Municipality has the following bank accounts:

Current Accounts

ABSA Bank - Account Number 40-5057-5029	4 114 230	8 372 301
ABSA Bank - Account Number 40-7513-2844	11 151 686	19 075 881
ABSA Bank - Account Number 40-7512-9982	12 634 070	8 272 813
ABSA Bank - Account Number 40-7554-5657	4 738 879	3 596 664
ABSA Bank - Account Number 40-9041-7837	525 567	5 239 358
ABSA Bank - Account Number 40-9308-1405	-	14 079
	<u>33 164 432</u>	<u>44 571 095</u>

Call Deposits and Investments

Investec	<u>2 007 489</u>	<u>1 875 902</u>
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MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	R	R
Details of current accounts are as follow:		
ABSA Bank - Account Number 40-5057-5029		
Cash book balance at beginning of year	8 372 301	(8 955 608)
Cash book balance at end of year	<u>303 190</u>	<u>8 372 301</u>
Bank statement balance at beginning of year	8 137 316	6 079 890
Bank statement balance at end of year	<u>4 114 230</u>	<u>8 137 316</u>
ABSA Bank - Account Number 40-7513-2844		
Cash book balance at beginning of year	19 075 881	3 963 222
Cash book balance at end of year	<u>11 151 686</u>	<u>19 075 881</u>
Bank statement balance at beginning of year	19 075 881	3 963 222
Bank statement balance at end of year	<u>11 151 686</u>	<u>19 075 881</u>
ABSA Bank - Account Number 40-7512-9982		
Cash book balance at beginning of year	8 272 813	4 060 792
Cash book balance at end of year	<u>12 634 070</u>	<u>8 272 813</u>
Bank statement balance at beginning of year	8 272 813	4 060 792
Bank statement balance at end of year	<u>12 634 070</u>	<u>8 272 813</u>
ABSA Bank - Account Number 40-7554-5657		
Cash book balance at beginning of year	3 596 664	2 187 669
Cash book balance at end of year	<u>4 738 879</u>	<u>3 596 664</u>
Bank statement balance at beginning of year	3 596 664	2 187 669
Bank statement balance at end of year	<u>4 738 879</u>	<u>3 596 664</u>
ABSA Bank - Account Number 40-9041-7837		
Cash book balance at beginning of year	5 239 358	1 088 791
Cash book balance at end of year	<u>525 567</u>	<u>5 239 358</u>
Bank statement balance at beginning of year	5 239 358	2 188 405
Bank statement balance at end of year	<u>525 567</u>	<u>5 239 358</u>
ABSA Bank - Account Number 40-9308-1405		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>-</u>	<u>14 079</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>-</u>	<u>14 079</u>

19

PROPERTY RATES

Rateable Land and Buildings		
Business and Commercial Property	1 452 123	921 624
Industrial Property	1 992 364	1 825 948
Public Service Infrastructure Properties	145 683	145 499
Residential Properties	24 436 705	30 179 756
Small Holdings	125 917	118 365
State-owned Properties	5 281 762	5 043 250
Agricultural Properties	9 993 926	7 027 437
Total Assessment Rates	<u>43 428 480</u>	<u>45 261 879</u>
Less: Revenue Foregone	(203 068)	(535 172)
Total Property Rates	<u>43 225 412</u>	<u>44 726 706</u>

Valuations - 1 July 2016

	Building Clause	Building	Total
	Valuation	Valuation	Valuation
Rateable Land and Buildings			
Domestic	4 196 500	2 965 957 700	2 970 154 200
Business and Commercial Property	-	803 090 500	803 090 500
Church	-	-	-
Light Industrial	-	173 431 000	173 431 000
Agricultural/Rural	-	4 120 840 600	4 120 840 600
State-owned Properties	-	537 802 000	537 802 000
Other - Pensioners etc.	-	32 480 000	32 480 000
Total Assessment Rates	<u>4 196 500</u>	<u>8 633 601 800</u>	<u>8 637 798 300</u>

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
Rates:		
Residential	0.008961 c/R	0.008510 c/R
Commercial	0.011471 c/R	0.010894 c/R
Agricultural (2010 - less 65% rebate)	0.001792 c/R	0.001702 c/R
DMA Agricultural	0.001792 c/R	0.000598 c/R
<p>The rand is subdivided into 100 cents. c/R means cents in Rand.</p> <p>Assessment Rates are levied on the value of land and improvements. The last valuation came into effect on 1 July 2016, and the next one will be implemented 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.</p> <p>Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September.</p> <p>Interest is levied at the prime rate plus 1% on outstanding monthly rates.</p> <p>Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.</p>		
20 TRANSFERS	2019 R	2018 R Restated
20.1 Government grants and subsidies		
Unconditional Grants		
Equitable Share	52 340 000	47 561 000
Conditional Grants	49 512 734	47 350 850
Department of Mineral Resources	2 500 000	2 189 846
FMG	1 550 000	1 550 000
MIG	20 951 000	21 614 000
Municipal Water Infrastructure Grant	6 901 295	10 000 000
EPWP	1 630 000	1 406 000
CDW's	30 915	111 000
Library Services	7 698 000	6 246 000
FMSG	330 000	530 000
Public Transport Infrastructure	78 000	65 000
Municipal Capacity Building Grant	119 502	178 205
Municipal Service Delivery and Capacity Building Grant	153 130	680 056
Thusong services centres operational grant	15 046	65 000
Municipal Drought Relief Grant	2 024 916	1 437 897
Municipal Disaster Recovery Grant	4 246 325	549 228
Human Settlements	1 188 750	562 486
Transport, Education and Training SETA	95 855	166 132
Total Government Grants and Subsidies	101 852 734	94 911 850
20.2 Private sector grants		
Private Sector (TRONOX)	1 665 281	-
Total Government and Other Grants and Subsidies	103 518 015	94 911 850
Government Grants and Subsidies - Capital	39 416 472	35 858 386
Government Grants and Subsidies - Operating	64 101 544	59 053 464
Expenditure per vote as required by Section 123 (c) of the MFMA	103 518 016	94 911 850
Vote 1 - Executive & Council	26 930	223 070
Vote 2 - Finance	1 880 000	2 080 000
Vote 3 - Corporate	7 913 357	457 523
Vote 4 - Community Development	610 911	9 730 586
Vote 5 - Infrastructure Services	40 746 818	34 859 670
Total Expenditure per vote	51 178 016	47 350 850
Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the ensuing 3 financial years.		
20.3 Equitable share		
Opening balance		-
Grants received	52 340 000	47 561 000
Operating	(52 340 000)	(47 561 000)
Closing balance	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R Restated
20.4 Department of Mineral Resources		
Opening balance	-	(810 154)
Grants received	2 500 000	3 000 000
Conditions met - Operating	-	-
Conditions met - Capital	(2 500 000)	(2 189 846)
Conditions still to be met/(Grant Expenditure to be recovered)	-	-
Closing balance	<u>-</u>	<u>-</u>
20.5 Local Government Financial Management Grant (FMG)		
Grants received	1 550 000	1 550 000
Conditions met - Operating	(1 550 000)	(1 550 000)
Closing balance	<u>-</u>	<u>-</u>
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG also fund the cost of the Financial Management Internship Programme.		
20.6 Municipal Infrastructure Grant (MIG)		
Grants received	20 951 000	21 614 000
Conditions met - Operating	(705 783)	-
Conditions met - Capital	(20 245 217)	(21 614 000)
Closing balance	<u>-</u>	<u>-</u>
The grant was used to upgrade infrastructure in previously disadvantaged areas.		
20.7 Housing Grants		
Opening balance	4 032 267	898 000
Grants received	1 000 000	3 696 753
Conditions met - Operating	(438 750)	(562 486)
Conditions met - Capital	(750 000)	-
Conditions still to be met/(Grant Expenditure to be recovered)	<u>3 843 517</u>	<u>4 032 267</u>
Housing grants was utilised for the development of erven and the erection of top structures.		
20.8 Other Grants		
Opening balance	18 788 428	761 814
Grants received	20 191 855	38 055 132
Conditions met - Operating	(9 067 011)	(7 973 978)
Conditions met - Capital	(14 255 974)	(12 054 540)
Conditions still to be met/(Grant Expenditure to be recovered)	<u>15 657 298</u>	<u>18 788 428</u>
20.9 Grants from Private Sector (TRONOX)		
Grants received	5 000 000	-
Conditions met - Capital	(1 665 281)	-
Conditions still to be met/(Grant Expenditure to be recovered)	<u>3 334 719</u>	<u>-</u>
20.10 Total Grants		
Opening balance	22 699 967	849 660
Grants received	103 532 855	116 882 885
Conditions met - Operating	(64 101 544)	(59 053 465)
Conditions met - Capital	(39 416 472)	(35 858 386)
Repaid to Grantor	-	(120 727)
Conditions still to be met/(Grant expenditure to be recovered)	<u>22 714 807</u>	<u>22 699 967</u>
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	22 745 722	22 699 967
Unpaid Conditional Government Grants and Receipts	(30 915)	-
	<u>22 714 807</u>	<u>22 699 967</u>

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
21 SERVICE CHARGES		
Electricity	108 452 365	100 072 268
Service Charges	108 982 227	100 195 836
Less: Revenue foregone	(529 862)	(123 568)
Water	19 486 899	11 015 989
Service Charges	20 480 769	11 270 167
Less: Revenue foregone	(993 870)	(254 178)
Refuse removal	15 353 223	14 941 304
Service Charges	20 533 186	19 215 504
Less: Revenue foregone	(5 179 963)	(4 274 200)
Sewerage and Sanitation Charges	15 267 503	14 251 530
Service Charges	20 896 165	19 304 490
Less: Revenue foregone	(5 628 662)	(5 052 960)
Total Service Charges	158 559 989	140 281 091
22 SALES OF GOODS AND RENDERING OF SERVICES		
Advertising	35 495	26 531
Application Fees - Town Planning	41 755	51 335
Building Plan Fees	187 192	202 429
Cemetery	240 632	256 742
Development Charges	968 513	-
Encroachments	21 082	8 402
Housing Redeemed	-	13 960
Insurance Claims	80 438	58 849
Photocopies	22 356	34 046
Roadworthy Certificates	551 757	709 877
Subscription Fees	212	246
Sundry Income - Finance	460 140	946 077
Valuation Certificates	130 810	156 317
Other revenue	6 693	222 741
Telephone	18 438	44 251
Total Other Income	2 765 513	2 731 805
23 CONTRIBUTION PROPERTY, PLANT AND EQUIPMENT		
Housing Development	31 967 743	7 761
Total Contributing Property, Plant and Equipment	31 967 743	7 761
Department of Land Reforms and Department of Housing contributed towards the construction of infrastructure assets		
24 RENTAL FROM FIXED ASSETS		
Investment Property	2 255 175	2 121 750
Other rentals	2 298 295	1 596 652
Total Rental from Fixed Assets	4 553 470	3 718 402
25 INTEREST EARNED		
External Investments	3 311 815	2 497 636
Trade Receivables	4 900 345	2 834 827
Total Interest Earned-External Investments	8 212 160	5 332 463
26 AGENCY SERVICES		
Agency services	3 368 514	3 284 970
Total Agency Services	3 368 514	3 284 970
Agency services consists of motor vehicle registration and licensing agency fees		

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
27 EMPLOYEE RELATED COSTS		
Basic	88 106 181	71 074 346
Bonuses	7 640 955	5 950 770
Contributions for UIF, pensions and medical aids	19 461 365	16 323 851
Housing Subsidy	260 679	200 553
Overtime	7 525 014	5 471 967
Protective Clothing	694 391	638 370
Skills Development Levy and Training	1 150 711	948 781
Travel, motor car, telephone, assistance and other allowances	11 373 455	8 802 789
Provision for Staff Leave - Note 6.1	2 616 913	1 776 746
Contribution to provision - Post Retirement Medical - Note 4.2.1	1 117 647	1 174 412
Contribution to provision - Long Service Awards - Note 4.2.2	530 220	479 975
Total Employee Related Costs	140 477 531	112 842 560
28.1 KEY MANAGEMENT PERSONNEL		
The Municipal Manager is appointed on a 5 year fixed contract. There are no post-employment or termination benefits payable at the end of the contract period. All directors are permanently appointed.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Municipal Manager: DP Lubbe		
Basic Salary	881 204	892 581
Pension and UIF Contributions	1 785	1 884
Performance Bonus	199 163	93 052
Motor Vehicle Allowance	380 546	356 313
Cell phone Allowance	15 859	12 914
Other Allowances and Benefits	258 642	171 817
Total	1 737 199	1 528 561
Remuneration of the Chief Financial Officer: GRJ Seas		
Basic Salary	725 531	863 227
Pension and UIF Contributions	1 785	1 884
Performance Bonus	163 528	139 447
Motor Vehicle Allowance	312 456	110 016
Cell phone Allowance	13 581	-
Other Allowances and Benefits	401 643	257 288
Total	1 618 524	1 371 862
Remuneration of the Director Technical Services: R Basson		
Basic Salary	610 435	758 210
Pension and UIF Contributions	120 820	150 042
Performance Bonus	163 528	25 354
Motor Vehicle Allowance	299 137	103 133
Cell phone Allowance	14 200	13 600
Other Allowances and Benefits	219 432	159 116
Total	1 427 552	1 209 455
Remuneration of the Director Technical Services: J Pekeur (Resigned 28 February 2017)		
Performance Bonus	-	88 091
Total	-	88 091
Remuneration of the Director Corporate Services: W Conradie		
Basic Salary	741 021	654 266
Pension and UIF Contributions	147 153	137 723
Medical Aid Contributions	50 342	47 307
Performance Bonus	147 862	116 406
Motor Vehicle Allowance	84 277	78 499
Cell phone Allowance	13 200	12 600
Other Allowances and Benefits	107 295	138 363
Total	1 291 150	1 185 164
Remuneration of the Director Community Development Services: L Phillips		
Basic Salary	835 424	729 091
Pension and UIF Contributions	1 785	1 884
Medical Aid Contributions	30 181	35 910
Performance Bonus	147 862	115 268
Motor Vehicle Allowance	155 257	136 109
Cell phone Allowance	14 200	5 200
Other Allowances and Benefits	193 502	153 164
Total	1 378 211	1 176 626
Remuneration of the Director Community Services: J Swartz		
Basic Salary	-	59 254
Pension and UIF Contributions	-	11 711
Medical Aid Contributions	-	3 887
Performance Bonus	-	125 301
Motor Vehicle Allowance	-	5 221
Other Allowances and Benefits	-	854 885
Total	-	1 060 259

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
29 REMUNERATION OF COUNCILLORS		
HJ vd Hooven	813 794	4 198
DD Jenner	671 447	424 128
G Stephan	-	790 688
A Sindaymba	676 299	688 143
MM Bains	167 653	-
NS Louw	703 000	677 531
RJ Nutt	95 431	637 736
WD Loff	650 037	637 736
AFK Job	650 037	637 736
P Bok	302 752	292 677
WH Nell	321 004	292 677
AW Links	302 752	292 677
J de Jongh	302 752	292 677
M Carosini	302 752	292 677
NM Ngobo	302 752	292 677
MV Cloete	302 752	292 677
XP Tshetu	369 788	292 677
Total Councillors Remuneration	6 935 002	6 839 312
Remuneration of councillors can be summarised as follows:		
Basic salary	5 824 982	5 816 995
Travel, motor car, telephone, assistance and other allowances	922 245	839 320
Contributions for UIF, pensions and medical aids	187 775	182 997
Total Councillors' Remuneration	6 935 002	6 839 312
Mayor	868 549	790 688
Deputy Mayor	657 643	688 143
Speaker	703 000	677 531
Mayoral Committee	1 938 804	1 913 208
Councillors	2 767 006	2 769 742
Total Councillors' Remuneration	6 935 002	6 839 312
In-kind Benefits		
The Executive Mayor, Executive Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.		
30 CONTRACTED SERVICES		
Outsourced Services	3 061 427	1 736 941
Catering Services	178 114	185 199
Medical Services	49 665	25 807
Security Services	1 566 025	918 599
Traffic Fines Management	801 526	93 232
Transport Services	90 853	100 323
Valuer	25 240	62 796
Veterinary Services	350 004	350 984
Consultants and Professional Services	5 052 012	4 690 249
Business and Advisory	3 340 666	3 527 171
Infrastructure and Planning	854 771	408 316
Laboratory	640 373	556 118
Legal Cost	216 202	198 645
Contractors	1 529 326	1 320 738
Employee Wellness	54 713	57 869
Fire Protection	43 697	22 862
Maintenance of Assets	1 355 054	1 068 601
Management of Informal Settlements	21 662	50 727
Stream Cleaning and Ditching	4 750	-
Sewerage Services	-	65 229
Transportation	49 450	55 450
Total Contracted Services	9 642 765	7 747 928
31 DEBT IMPAIRMENT		
Trade Receivables from exchange transactions	8 177 590	5 956 365
Trade Receivables from non-exchange transactions	11 918 675	11 759 372
VAT Portion of Provision	(1 802 876)	(40 495)
Total debt impairment	18 293 389	17 675 242

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
32 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	14 350 094	13 830 468
Intangible Assets	119 165	50 874
Total Depreciation and Amortisation	<u>14 469 259</u>	<u>13 881 342</u>
33 FINANCE COSTS		
Long-term Borrowings	2 469 199	2 648 713
Non-current Employee Benefits	3 122 710	2 954 388
Total Finance Costs	<u>5 591 909</u>	<u>5 603 101</u>
34 BULK PURCHASES		
Electricity	88 879 642	83 077 080
Water	5 265 029	4 534 918
Total Bulk Purchases	<u>94 144 671</u>	<u>87 611 998</u>
35 REPAIRS AND MAINTENANCE		
Expenditure incurred to repair and maintain Property, Plant and Equipment and Investment property The expense forms part of the inventory consumed, operational costs and contracted services line items.		
Community Assets	930 420	851 555
Contracted Services	95 879	59 374
Other materials	827 681	768 725
Other Expenditure	6 860	23 456
Infrastructure	3 168 518	3 180 691
Contracted Services	25 007	76 679
Other materials	2 512 067	2 016 096
Other Expenditure	631 444	1 087 917
Land and buildings	619 085	516 226
Contracted Services	10 941	14 605
Other materials	608 144	501 621
Other Expenditure	-	-
Other Assets	5 006 389	4 271 435
Contracted Services	1 212 337	915 598
Other materials	3 432 303	3 186 875
Other Expenditure	361 748	168 963
Investment Property	8 875	9 376
Contracted Services	-	-
Other materials	8 875	9 376
Other Expenditure	-	-
Total Contracted Services	1 344 165	1 066 256
Total Other Materials	7 389 070	6 482 692
Total Other Expenditure	1 000 052	1 280 336
Total Repairs and Maintenance	<u>9 733 287</u>	<u>8 829 284</u>
36 TRANSFERS AND SUBSIDIES		
Operational: Monetary Allocations		
Life Guards	196 000	240 433
Development Programmes	50 401	-
Poverty Alleviation	7 022	257 624
Tourism	980 760	931 396
Sport development	15 036	7 000
Total Grants and Subsidies	<u>1 249 219</u>	<u>1 436 453</u>
37 FINES, PENALTIES AND FORFEITS		
Overdue Books	27 342	26 523
Traffic Fines	16 419 440	10 808 827
Total Fines, penalties and forfeits	<u>16 446 782</u>	<u>10 835 350</u>

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	R	R
		Restated
38 OPERATIONAL COST		
Advertisements	367 086	302 950
Audit Fees	2 016 434	1 998 926
Bank Charges	697 053	439 198
Commission Paid	1 910 982	1 717 424
Computer Service	1 469 772	2 670 069
Contributions to Calender events	18 350	117 941
Development Programmes	-	15 617
Entertainment Costs	-	38 691
Fuel	4 495 535	3 952 238
Hire Charges	1 006 940	1 727 997
Insurance	802 814	1 270 600
Licenses	749 648	206 630
Municipal Services	2 410 316	1 976 182
Other materials	-	3 449
Photocopies	85 089	67 831
Postage	92 560	50 399
Printing and Stationary	1 766 120	1 219 541
Prodiba payments	281 003	261 360
Public Entertainment	27 559	29 097
External networks-IT services	582 018	761 578
Subscription Fees	1 254 069	1 203 648
System Access and Information Fees	61 973	72 476
Telephone	938 136	901 796
Training Costs	436 301	318 959
Travel and Subsistence	2 168 993	1 786 540
Vehicle Tracking	134 343	93 222
Other	1 182 827	615 475
Workmen's Compensation Fund	687 688	600 785
Total Operational Costs	25 643 609	24 420 618

Other costs consists of administration, cleaning, disinfection costs, lost books, management of informal areas, marketing region, meter costs, projects, protection equipment, recruitment costs, staff wellness, street lights, trade union contributions and ward committee functions.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R Restated
39.1 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS		
Surplus for the year	68 791 178	18 906 125
Adjustments for:	(15 670 483)	37 423 558
Interest received		-
Interest receivable capitalised to cash and bank		(7 761)
Contributed property, plant and equipment	(31 967 743)	649 006
Loss on disposal PPE	147 001	(486 184)
Gain on disposal of investment property	(109 774)	144 484
Impairment loss	118 756	(954 933)
Actuarial gains	(601 061)	
Actuarial loss	-	
Depreciation	14 469 259	13 881 342
Fair value adjustments	(23 838 200)	(353 218)
Debt Impairment	18 293 388	17 675 240
Other non cash items	-	(121)
Operating lease	1 383	(5 971)
Contributions to employee benefit	3 295 555	1 423 156
Contributions to non-current provisions	1 881 600	2 819 220
Unwinding of discount - landfill site	2 639 353	2 639 298
Operating Surplus before changes in working capital	53 120 695	56 329 683
Changes in working capital	(19 892 191)	25 202 120
Increase/(Decrease) in Payables from Exchange Transactions	6 734 698	29 449 194
Increase/(Decrease) in VAT receivable	(3 971 929)	(1 276 601)
Increase in unspent conditional grants	14 840	21 850 309
(Increase)/Decrease in Inventory	228 046	(204 278)
(Increase)/Decrease in exchange receivables	(13 343 045)	(12 042 590)
(Increase)/Decrease in non-exchange receivables	(9 554 801)	(12 573 914)
Cash generated by operations	33 228 504	81 531 803
39.2 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Cash Floats - Note 18	5 620	5 620
Bank - Note 18	29 411 445	44 571 095
Call Investment Deposits	2 007 489	1 875 902
Total cash and cash equivalents	31 424 554	46 452 617
39.3 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 18	31 424 554	46 452 617
Unspent Committed Conditional Grants - Note 8	(22 745 722)	(22 699 967)
Capital Replacement Reserve - Note 2	(3 405 931)	(4 545 000)
Unpaid Conditional Grants - Note 8	30 915	-
Tax receivable - Note 9	5 686 509	1 714 580
Net cash resources available for internal distribution/(resources utilised for internal distribution)	10 990 325	20 922 230
There are restrictions on the cash and cash equivalent assets as the unspent conditional grants are cash backed.		
39.4 RECLASSIFICATION OF CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flows from operating activities previously reported as cash receipts from ratepayers, government has been reclassified to be more in line with GRAP 2.		

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

40 CORRECTION OF ERROR IN TERMS OF GRAP 3

Property, Plant and Equipment

Correction of Property, Plant and Equipment. After physical verification of fixed assets were performed during May 2019 corrections have been identified. This is now corrected with the following entries. Dt Cost Opening balance R 344 924.54, (Ct) Accumulated Surplus Prior Year 2016/2017 R 344 924.54, Dt Accumulated Surplus Prior Year 2016/2017 R 35 892.55, (Ct) Accumulated Depreciation, R35 892.55. Dt Accumulated surplus 2017/2018 R11 267.71, (Ct) Accumulated Depreciation, R11 267.71

Investment Property

Correction of Investment property after verification of properties during May 2019, this is now corrected with the following entries. Dt Investment Properties, R18 000, Ct) Accumulated Surplus 2016/2017 R18 000

Trade and other Payables

Correction deposit received for sale of investment property incorrectly recognised as part of sale in 2016/2017 as part of Gains on Disposal of Investment property as a result of incorrect even number used for the recognition of the income. Only discovered after the sale of Investment property took place in 2019, this is now corrected with the following entries. Dt Accumulated surplus 2016/2017, R2 631.58 (Ct) Trade and other Payables, R2631.58

Cash flow statement - Finance costs

Remeasurement of Provision was incorrectly included in the Cash flow statement as interest on Provision as it was not actual Cash outflow. The Interest should have not been included. Finance cost is overstated in the Cash flow statement by R3 295 233 (2018)

40.1 Property, Plant and Equipment: Other Assets

	Restated 2018 R	Restated 2017 R
(a) Office Equipment		
Cost	4 593 665	3 998 974
Balance previously reported	4 556 409	3 961 718
Office Equipment incorrectly recognised	37 256	37 256
Accumulated Depreciation	2 639 849	2 396 453
Balance previously reported	2 637 353	2 395 068
Office Equipment incorrectly recognised	2 496	1 385
Restated Balance	1 953 816	1 602 520
(b) Motor Vehicles		
Cost	22 035 980	22 013 080
Balance previously reported	22 026 107	22 003 207
Motor Vehicles incorrectly recognised	9 873	9 873
Accumulated Depreciation	12 186 127	11 488 310
Balance previously reported	12 186 127	11 488 310
Motor Vehicles incorrectly recognised	-	-
Restated Balance	9 849 854	10 524 769
(c) Plant and Equipment		
Cost	3 271 222	2 686 996
Balance previously reported	2 987 194	2 402 968
Plant and Equipment incorrectly recognised	284 028	284 028
Accumulated Depreciation	1 597 930	1 414 121
Balance previously reported	1 555 067	1 380 783
Plant and Equipment incorrectly recognised	42 863	33 338
Restated Balance	1 673 293	1 272 875

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Restated 2018 R	Restated 2017 R
(d) Computer Equipment		
Cost	1 664 682	824 778
Balance previously reported	1 650 914	811 010
Computer Equipment incorrectly recognised	13 768	13 768
Accumulated Depreciation	332 389	189 166
Balance previously reported	330 587	187 997
Computer Equipment incorrectly recognised	1 802	1 170
Restated Balance	1 332 293	635 611
40.2 Investment Property		
Net Carrying Value 1 July	67 326 800	67 691 582
Property incorrectly recognised	18 000	18 000
Restated Balance	67 344 800	67 709 582
40.3 Payables from Exchange Transactions		
Deposit investment property sales balance previously reported	254 230	246 790
Deposit not recognised	2 632	2 632
Restated Balance	256 862	249 421
40.4 Accumulated Surplus		
Balance previously reported	521 249 075	502 484 684
Office Equipment incorrectly recognised	34 761	35 870
Plant and Equipment incorrectly recognised	241 165	250 691
Motor Vehicles incorrectly recognised	9 873	9 873
Computer Equipment incorrectly recognised	11 966	12 598
Investment property incorrectly recognised	18 000	18 000
Gains on Sale of Investment property incorrectly recognised	(2 632)	(2 632)
Restated Balance	521 562 208	502 809 084
41 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - note 3	22 612 432	19 066 401
Used to finance property, plant and equipment - at cost	(22 612 432)	(19 066 401)
	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019	2018
		R	R
42	IRREGULAR EXPENDITURE		
	Reconciliation of irregular expenditure:		
	Opening balance	-	-
	Irregular expenditure current year	51 694 751	-
	Irregular expenditure identified in the current year relating to the prior year	25 755 924	-
	Condonement supported by Council	-	-
	Transfer to receivables for recovery	-	-
		<u>77 450 675</u>	<u>-</u>
	Irregular expenditure awaiting further action		
	Irregular expenditure awaiting condonement from National Treasury		
	Incident		
	Bid Adjudication Committee not constituted in terms of SCM Reg 29(2)	16 483 640	-
	Operating expenditure incurred contrary to legislative supply chain requirements relating to the current year.	1 204 654	-
	Open ended contract awarded without following a competitive bidding process	<u>34 006 457</u>	<u>-</u>
		<u>51 694 751</u>	<u>-</u>
	Irregular expenditure identified in the current year relating to the prior year		
	Incident:		
	Bid Adjudication Committee not constituted in terms of SCM Reg 29(2)	21 324 860	-
	Open ended contract awarded without following a competitive bidding process	<u>4 431 064</u>	<u>-</u>
		<u>25 755 924</u>	<u>-</u>
	Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. The section 32 investigation has not commenced therefore no steps have been taken at this stage to recover any expenditure incurred. The Municipality is investigating further irregular expenditure with regards to the non-compliance of their BAC composition that affects years preceding the current period.		
43	MATERIAL LOSSES		
	Water distribution losses		
	There were no material water distribution losses during the current and previous financial year		
	Electricity distribution losses		
	- Units purchased (Kwh)	80 119 105	80 184 787
	- Units lost during distribution (Kwh)	10 612 982	10 476 360
	- Percentage lost during distribution	13.25%	13.10%
	Electricity losses decreased during 2018 financial year due to auditing and installation of new bulk meters		
43.1	Non-Material Losses		
	Water distribution losses		
	- Kilo litres purchased	3 156 476	3 490 767
	- Kilo litres lost during distribution	145 378	-
	- Percentage lost during distribution	4.61%	0.00%
44	ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT		
44.1	Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA Contributions		
	Opening balance	-	-
	Council subscriptions	1 197 549	1 175 749
	Amount paid - current year	<u>(1 197 549)</u>	<u>(1 175 749)</u>
	Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
44.2	Audit fees - [MFMA 125 (1)(b)]		
	Opening balance	-	-
	Current year audit fee	2 016 434	1 998 926
	Amount paid - current year	<u>(2 016 434)</u>	<u>(1 998 926)</u>
	Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
44.3	VAT - [MFMA 125 (1)(b)]		
	Opening balance	1 714 580	437 979
	Amounts received - current year	(1 558 029)	(1 692 989)
	Amounts paid - current year	1 547 250	1 290 028
	Amounts (received)/paid - previous years	1 697 027	326 391
	Not declared	376 053	(1 403 383)
	Amounts claimed - current year	<u>2 099 858</u>	<u>2 756 555</u>
	Closing balance - (Payable)/Receivable	<u>5 876 739</u>	<u>1 714 580</u>
	VAT in suspense due to cash basis of accounting		
	Input VAT	4 495 754	5 483 683
	Output VAT	<u>1 380 985</u>	<u>(3 769 103)</u>
	Claimable/(Payable)	<u>5 876 739</u>	<u>1 714 580</u>
	VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
44.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	21 489 856	16 691 987
Amount paid - current year	(21 489 856)	(16 691 987)
Balance unpaid (included in creditors)	-	-
44.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	18 890 798	15 896 588
Amount paid - current year	(18 890 798)	(15 896 588)
Balance unpaid (included in creditors)	-	-
44.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]		
The following Councillors had arrear accounts for more than 90 days during the financial year.		
Councillor A Links	-	694
Councillor R.J Nutt	-	1 015
Councillor AFK Job	11 571	-
	11 571	1 708

44.7 Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation (36)(1)(a) & (b)

30 June 2019	Two Suppliers R	Single Supplier R	Sec 5.27 R	Emergency R	Total R
July 18	-	-	1 321 218	4 379 213	5 700 431
August 18	-	-	1 159 237	561 420	1 720 657
September 18	-	-	1 618 755	863 730	2 482 486
October 18	-	-	1 471 812	502 276	1 974 088
November 18	-	-	129 289	151 966	281 255
December 18	-	-	6 125 919	24 715	6 150 635
January 19	-	-	1 029 948	135 751	1 165 699
February 19	-	-	21 267 772	26 950	21 294 722
March 19	-	-	113 043	36 757	149 800
April 19	-	-	1 029 948	78 005	1 107 953
May 19	-	-	1 303 756	78 158	1 381 913
June 19	-	-	1 217 747	2 718 378	3 936 125
	-	-	37 788 445	9 557 318	47 345 763

30 June 2018	Two Suppliers R	Single Supplier R	Sec 5.27 R	Emergency R	Total R
July 17	4 509	21 053	357 701	-	383 263
August 17	140 261	59 255	346 864	-	546 380
September 17	76 236	26 053	470 660	-	572 949
October 17	109 742	68 762	807 330	-	985 834
November 17	49 459	364 094	383 500	-	797 053
December 17	39 670	2 247 302	71 403	-	2 358 375
January 18	4 594	48 811	637 093	-	690 498
February 18	41 403	38 015	362 909	-	442 327
March 18	107 828	72 995	544 055	-	724 878
April 18	129 134	3 926	680 916	-	813 976
May 18	16 764	20 882	852 007	-	889 653
June 18	2 065	12 504	6 054 235	-	6 068 804
	721 665	2 983 652	11 568 673	-	15 273 990

44.8 Regulation 45 : Particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months

				2019 R	2018 R
Entity	Employee Name	Position in service of the state	Relationship		
Meyer Kabinette	H Meyer	Manager Supply Chain	Husband	78 390	209 610
F1 Traders	J Ovis	Manager Community Services	Father	18 244	15 688
Sunfox	M Michinon	Cashier	Daughter	13 129	15 170
PR Civils	M Koopman	General Worker	Husband	7 516 451	-
				7 626 214	240 468

45 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for infrastructure	20 566 545	14 707 145
This expenditure will be financed from government grants and contributions from private sector	20 566 545	14 707 145

46 FINANCIAL RISK MANAGEMENT

The activities of the Municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

46.1 Foreign Exchange Currency Risk

The municipality procured goods and services denominated in a foreign currency but the Rand value was determined at the time of procurement and the risk was low at the time of payment. It was for the payment of Microsoft licences and the supplier was the only provider of the product.

46.2 Price risk

The Municipality is not exposed to price risk.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
46.3 Interest Rate Risk		
Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.		
loan liabilities, as detailed in Appendix A, are fixed interest rate loans.		
The Municipality did not hedge against any interest rate risks during the current year.		
The impact on the entity's non current borrowings for the year due to changes in interest rates were as follows:		
0.5% (2018/19: 0.5%) Increase in interest rates	<u>(95 332)</u>	<u>(25 230)</u>

46.4 Credit Risk	
Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss.	
Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables.	

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 15 and 16 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for debt impairment could be allocated between the different classes of debtors as follows:

	2019 %	2019 R	2018 %	2018 R
<u>Exchange Receivables</u>				
Service Charges - Note 15	55.53%	44 579 758	0.00%	-
	<u>55.53%</u>	<u>44 579 758</u>	<u>0.00%</u>	<u>-</u>

The provision for debt impairment could be allocated between the different categories of debtors as follows:

Description	2019 %	2019 R	2018 %	2018 R
Water	16.46%	7 339 078	8.24%	5 330 678
Electricity	4.21%	1 874 694	3.27%	2 113 887
Rental	0.00%	-	0.00%	-
Refuse	20.00%	8 915 009	12.60%	8 148 248
Sewerage	17.87%	7 968 497	11.52%	7 452 092
Other exchange	37.49%	16 713 256	26.35%	17 042 648
Loans	2.30%	1 024 530	0.56%	360 700
Indigent debtors	1.67%	744 695	0.49%	318 419
	<u>100.00%</u>	<u>44 579 759</u>	<u>100.00%</u>	<u>40 766 673</u>

Bad debts written off per financial asset class:

Financial Instruments at amortised cost	100.00%	4 500 126	100.00%	4 303 805
	<u>100.00%</u>	<u>4 500 126</u>	<u>100.00%</u>	<u>4 303 805</u>

Balances past due not impaired:

<u>Exchange Receivables</u>				
Service Charges - Note 15	100.00%	7 137 575	100.00%	5 832 439
	<u>100.00%</u>	<u>7 137 575</u>	<u>100.00%</u>	<u>5 832 439</u>

As at 30 JUNE 2019, trade receivables of R 25 621 327 (2018: R19 098 490) were fully performing.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and amount of R3 405 931 are restricted for the Capital replacement reserve. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

Long-term Receivables, Receivables from Exchange Transactions and Receivables from Non-Exchange Transactions are individually evaluated annually at year end for impairment.

	2019 R	2018 R Restated
Financial assets exposed to credit risk at year end are as follows:		
Long-term receivables	768 397	240 466
Receivables from exchange transactions	25 621 327	21 818 254
Receivables from non-exchange transactions	10 527 398	10 858 447
Cash and Cash Equivalents	31 366 501	46 452 617
	<u>68 283 623</u>	<u>79 369 784</u>

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

46.5 Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
2019				
Long Term liabilities	9 387 791	20 887 328	10 028 181	-
Payables from Exchange Transactions	38 657 952	-	-	-
	48 045 743	20 887 328	10 028 181	-
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
2018				
Long Term liabilities	6 486 503	16 496 403	11 701 044	-
Payables from Exchange Transactions	33 658 915	-	-	-
	40 145 418	16 496 403	11 701 044	-

47 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the Municipality are classified as follows:

Financial instruments at amortised cost

	2019 R	2018 R
47.1 Financial Assets		Restated
Long-Term Receivables	2 049 060	721 399
Receivables from exchange transactions	25 621 327	19 098 490
Receivables from non-exchange transactions	555 220	436 995
Cash and Cash Equivalents	31 424 554	46 452 617
Total carrying amount of financial assets	59 650 161	66 709 501
Financial Liabilities		
Long-term Liabilities	22 612 432	19 066 401
Payables from exchange transactions	38 657 952	33 658 915
Current Portion of Long-term Liabilities	6 754 834	4 962 463
Total carrying amount of financial liabilities	68 025 218	57 687 779

48 STATUTORY RECEIVABLES

	2019 R	2018 R
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
Taxes: VAT Receivable	3 749 318	1 714 580
Receivables from Non-Exchange Transactions	43 731 284	31 997 822
Rates	13 074 665	13 301 683
Fines	30 656 619	18 696 139
Total statutory receivables	47 480 602	33 712 402

49 EVENTS AFTER THE REPORTING DATE

On the 30 July 2019 Councillor DD Jenner was elected as the new executive mayor.

On 11 October 2019 the municipal manager separated from the municipality on a mutual agreement and an acting municipal manager was appointed to allow for the recruitment of a new municipal manager.

50 IN-KIND DONATIONS AND ASSISTANCE

The Municipality did not receive any in-kind donations or assistance during the year under review.

51 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

52 CONTINGENT LIABILITIES

The municipality is currently engaged in litigation with the previous strategic advisor to the executive however the probability of success of the claimant is very low as the claimant Mr P Rautenbach was already unsuccessful at the Commissioner of the Bargaining Council. The amount can not be determined.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

53 RELATED PARTIES

53.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

53.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 29 to the Annual Financial Statements.

53.3 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

Supplier	Employee	Relationship	Department	Position in service of the state	2019 R	2018 R
Meyer Kabinette	H Meyer	Husband	Finance	Accountant	78 390	209 610
F1 Traders	J Ovis	Father	Community Services	Manager	18 244	15 688
Sunfox	M Michinon	Daughter	Finance	Cashier	13 129	15 170
PR Civils	M Michinon	Daughter	Finance	Cashier	7 516 451	-
					<u>7 626 214</u>	<u>240 468</u>

54 EXPLANATORY NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

54.1 COMPARISON OF ACTUAL FIGURES vs. THE FINAL BUDGET

54.1.1 STATEMENT OF FINANCIAL POSITION

Current Assets:

Cash	Drought relief Grants received from national and provincial government could not be spent by 30 JUNE 2019 because the specialised equipment is only available from overseas. Items procured were in transit at year end. Payments will be made in the new financial year.
Other Receivables	GRAP requires that provincial and municipal fines issued be recognised at their gross value.
Inventory	The decrease can be ascribed to lower levels of purified water and an increased consumption of graves and consumable stores.
Current portion of long term receivables.	The increase relates directly to the increase in arrangements to repay arrear consumer accounts.

Non current assets:

Long term receivables	The increase relates directly to the increase in arrangements to repay arrear consumer accounts.
Investment property	The increase is driven by the increase in the fair value of investment property based on values determined at year-end.
Other non-current assets	The increase is due to reclassification of the non-current and current portions of the operating lease asset

Current liabilities:

Consumer deposits	The deposits held were credited to consumer accounts during the year under review.
Trade and other Payables	The increase is informed by normal payment terms and unspent conditional grants balances at year end.
Provisions	Increase in Bonus provision due to new appointments made during the year.

Community Wealth

Reserves	Capital expenditure funded out of own income was lower than expected due to the negative impact of the drought on revenue generation.
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54.1.2 STATEMENT OF FINANCIAL PERFORMANCE

Revenue

Interest earned on outstanding debtors	The increase is informed by the increase in exchange receivables.
Licences and Permits	The income generated was less than projected by approximately R116 000. Accepted as reasonable.
Other Revenue	The fair value adjustments to investment property was more than projected due to increased values determined by the external valuers at 30 June 2019.
Gains on Disposal of PPE	The sale of the land for the private hospital was not finalised at year-end as per expectation. The sale of municipal houses that were put out on tender was not finalised at year-end as expected.
Transfers and subsidies - Capital (national/Provincial)	The decrease can be ascribed to the decrease in conditional grants received from national government to assist with the severe drought conditions experienced in the municipal area.
Transfers and subsidies - Capital (national/Provincial Departmental Agencies)	The decrease can be ascribed to the decrease in conditional grants received from provincial government to assist with the severe drought conditions experienced in the municipal area.
Transfers and subsidies - Capital (In-kind- all)	The increase relates to the infrastructure development undertaken for the building of low cost housing.

Expenditure

Depreciation	Too much depreciation was budgeted for landfill site assets due to the application of incorrect useful life estimated in the market demand asset system.
Contracted services	The underperformance can be ascribed to capital projects in progress at year end and cost containment measures that were implemented during the year.
Transfers and subsidies	The decrease can be ascribed to cost containment measures implemented.
Loss on disposal of PPE	The municipality did not budget for a loss on the sale of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

54.1.3 CASH FLOW STATEMENT

Receipts:

Other revenue	Other revenue decreased due to the negative impact of the drought on the economy.
Proceeds on sale of PPE	The sale of the land for the private hospital was not finalised at year-end as per expectation. The sale of municipal houses that were put out on tender was not finalised at year-end as expected.

Increase/(Decrease) in Consumer Deposits	The deposits held were credited to consumer accounts during the year under review.
Decrease in Non-current debtors	Improved performance of arrangements in place for arrear accounts.

Payments:

Finance costs	The increase is due to the new long term loan taken up and inadequate provision made for interest on provisions.
Transfers and grants	Decrease due to cost containment measures implemented
Capital assets	Drought relief Grants received from national and provincial government could not be spent by 30 JUNE 2019 because the specialised equipment is only available from overseas. Items procured were in transit at year end. Payments will be made in the new financial year.

54.2 COMPARISON OF ADJUSTMENTS BUDGET vs. FINAL BUDGET

The reasons for the variances between the approved and final budgets are mainly due to the negative effect of the severe drought, the decrease in the capital expenditure, and the reprioritising of capital projects, with the corresponding changes to funding sources.

55 FINANCIAL SUSTAINABILITY

Management is of the opinion that the Municipality will continue to operate as a going concern and perform its functions as set out in the Constitution.

55.1 Financial Indicators

The current ratio improved to 0.93:1 from 0.84:1 in the prior year.
The municipality has budgeted for positive cash flows during 2018/2019 and 2019/2020 amounting to R8 183 000 and R14 390 000 respectively.

55.2 Other Indicators

The contingent liabilities as at 30 JUNE 2019 are as disclosed in note 52.

**APPENDIX A - Unaudited
MATZIKAMA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2018	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2019
ANNUITY LOANS								
DBSA	12.27%	102857	2018	232 307	-	-	232 307	-
DBSA	6.75%	103143(2)	2018	322 882	-	-	322 882	-
DBSA	11.14%	103749	2020	5 681 626	-	-	2 089 621	3 592 005
DBSA	8.57%	WC12007362.1	2021	9 327 161	-	-	487 872	8 839 289
DBSA	8.57%	WC12007362.2	2031	645 903	-	-	149 568	496 335
DBSA	8.82%	12007652	2022 / 2027	7 818 985	-	-	1 030 633	6 788 352
Standard Bank Loan	10.08%	514952	2024	-	-	10 000 000	348 714	9 651 286
Total Annuity Loans				24 028 863	-	10 000 000	4 661 597	29 367 266
TOTAL EXTERNAL LOANS				24 028 863	-	10 000 000	4 661 597	29 367 266

APPENDIX B - Unaudited
MATZIKAMA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R		2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
			Governance and Administration			
230 831	(14 180 563)	(13 949 732)	Executive & Council	26 930	(15 864 441)	(15 837 511)
137 281 917	(35 922 763)	101 359 153	Budget & Treasury Office	169 836 367	(40 138 631)	129 697 736
2 857 803	(17 741 518)	(14 883 715)	Corporate Services	826 799	(18 088 216)	(17 261 417)
			Community and Public Safety			
7 138 491	(13 060 045)	(5 921 554)	Community and Social Services	6 813 943	(18 256 235)	(11 442 293)
2 126 070	(5 897 048)	(3 770 978)	Sport and Recreation	2 272 160	(7 057 753)	(4 785 593)
10 812 009	(17 012 533)	(6 200 524)	Public Safety	21 324 803	(25 513 698)	(4 188 895)
867 671	(1 312 405)	(444 734)	Housing	526 624	(1 707 170)	(1 180 546)
-	-	-	Health	-	-	-
			Economic and Environmental Services			
627 731	(8 501 514)	(7 873 784)	Planning and Development	2 079 685	(9 273 593)	(7 193 908)
6 740 695	(24 697 653)	(17 956 958)	Road Transport	34 395 687	(27 593 479)	6 802 208
-	-	-	Environmental Protection	-	-	-
			Trading Services			
100 072 268	(97 728 849)	2 343 419	Electricity	108 982 227	(105 103 094)	3 879 132
11 015 989	(17 491 713)	(6 475 724)	Water	19 486 899	(21 584 937)	(2 098 038)
14 251 530	(12 762 548)	1 488 981	Waste Water Management	16 236 015	(13 416 645)	2 819 371
14 982 598	(22 295 024)	(7 312 426)	Waste Management	15 368 871	(24 128 226)	(8 759 355)
-	-	-				
-	(1 495 300)	(1 495 300)	Other	-	(1 659 712)	(1 659 712)
309 005 600	(290 099 476)	18 906 124	Sub Total	398 177 009	(329 385 831)	68 791 178
-	-	-	Less Inter-Departmental Charges			
309 005 600	(290 099 476)	18 906 124	Total	398 177 009	(329 385 831)	68 791 178

APPENDIX C - Unaudited
MATZIKAMA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019
MUNICIPAL VOTES CLASSIFICATIONS

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R		2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
			Vote 1 - Council & Executive			
-	(9 963 942)	(9 963 942)	1.1 - Council	-	(10 124 653)	(10 124 653)
-	(2 293 210)	(2 293 210)	1.2 - Office of the Municipal Manager	-	(2 084 826)	(2 084 826)
-	(47 769)	(47 769)	1.3 - Internal Audit	-	(260 084)	(260 084)
-	-	-	1.4 - IDP	-	-	-
-	(63 960)	(63 960)	1.5 - Communication	-	(62 836)	(62 836)
223 070	(933 223)	(710 153)	1.6 - Risk- & Performance Management	26 930	(2 736 485)	(2 709 555)
0	-878458.92	(878 459)	1.7 - Political Office Bearers	-	(595 558)	(595 558)
			Vote 2 - Financial Services			
43 306 331	(12 369 136)	30 937 195	2.1 - Financial Management (BTO)	69 691 735	(10 630 374)	59 061 361
38 067 465	(18 671 248)	19 396 217	2.2 - Income	88 264 210	(18 028 443)	70 235 767
-	(4 889 643)	(4 889 643)	2.3 - Expenditure	-	(7 414 120)	(7 414 120)
-	(19 342)	(19 342)	2.4 - Supply Chain Management Unit	77 925	(15 878)	62 047
-	(1 735 276)	(1 735 276)	2.5 - ICT	-	(2 847 264)	(2 847 264)
			Vote 3 - Corporate Services			
194 588	(3 291 283)	(3 096 696)	3.1 - Legal & Administration Services	129 882	(5 424 556)	(5 294 674)
1 313 191	(10 303 437)	(8 990 246)	3.2 - Human Resources Management	696 916	(12 675 660)	(11 978 743)
6 259 937	(6 189 294)	70 643	3.3 - Library Services	6 157 841	(7 013 460)	(855 619)
			Vote 4 - Community Development Services			
2 207 794	(22 982 113)	(20 774 319)	4.1 - Community Services	1 719 752	(22 717 280)	(20 997 528)
47 843 729	(4 136 590)	43 707 138	4.2 - Town Planning & Building Control	288 204	(4 583 775)	(4 295 571)
853 539	(5 965 577)	(5 112 038)	4.3 - Economic Development & Tourism	3 313 305	(7 101 603)	(3 788 298)
15 348 260	(12 542 902)	2 805 358	4.4 - Protection Services	21 324 803	(25 050 957)	(3 726 154)
			Vote 5 - Infrastructure Services			
-	(7 225 913)	(7 225 913)	5.1 - Office of Infrastructure Services	705 783	(10 049 035)	(9 343 252)
11 270 167	(16 902 017)	(5 631 850)	5.2 - Water- Distribution & Treatment	20 480 769	(20 879 117)	(398 348)
19 304 490	(11 921 776)	7 382 713	5.3 - Sewerage & Wastewater Treatment	21 864 678	(12 707 836)	9 156 842
1 508 527	(20 258 171)	(18 749 644)	5.4 - Roads & Stormwater	33 689 904	(23 569 172)	10 120 732
1 851 881	(5 176 247)	(3 324 366)	5.5 - Parks, Sportgrounds & Cemeteries (C	213 310	(5 876 216)	(5 662 906)
19 256 797	(13 903 683)	5 353 115	5.6 - Waste Removal & Landfill sites	20 548 834	(12 871 356)	7 677 478
100 195 836	(97 435 266)	2 760 570	5.7 - Electro-Technical Services	108 982 227	(104 065 288)	4 916 938
309 005 600	(290 099 476)	18 906 124	Sub Total	398 177 009	(329 385 831)	68 791 178
-	-	-	Less Inter-Departmental Charges	-	-	-
309 005 600	(290 099 476)	18 906 124	Total	398 177 009	(329 385 831)	68 791 178

APPENDIX D - Unaudited
MATZIKAMA MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2018 R	Contributions during the year R	Correction of error	Operating Expenditure during the year Transferred to Revenue R	Capital Expenditure during the year Transferred to Revenue R	Repaid to National/Provincial Revenue fund R	Balance 30 JUNE 2019 R	Unspent 30 JUNE 2019 (Creditor) R	Unpaid 30 JUNE 2019 (Debtor) R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS									
<u>National Government Grants</u>									
Equitable Share	-	52 340 000	-	52 340 000			-	-	-
Department of Mineral Resources	-	2 500 000	-	-	2 500 000		0	-	-
Financial Management Grant	-	1 550 000	-	1 550 000	-		0	-	-
Municipal Infrastructure Grant	-	20 951 000	-	705 783	20 245 217		-	-	-
Expanded Public Works Programme	-	1 630 000	-	1 630 000	-		-	-	-
Municipal Water Infrastructure Grant		10 000 000	-	-	6 901 295		3 098 705	3 098 705	-
Total National Government Grants	-	88 971 000	-	56 225 783	29 646 512	-	3 098 705	- 3 098 705	-
<u>Provincial Government Grants</u>									
Community Development Workers	-	-		30 915	-	-	(30 915)	-	(30 915)
Library Services	-	7 698 000		6 949 626	748 374		-	-	-
Western Cape Financial Management Support Grant	-	330 000		-	330 000		-	-	-
Public Transport Infrastructure	-	78 000		78 000	-		-	-	-
Municipal Capacity Building Grant	119 696	360 000		119 502	-		360 194	360 194	-
Municipal Service Delivery and Capacity Building Grant	153 130	-		153 130	-		-	-	-
Thusong services centres operational grant	35 000	-		9 983	5 063		19 954	19 954	-
Human Settlements	4 032 267	1 000 000		438 750	750 000		3 843 517	3 843 517	-
Municipal Drought Relief Grant	11 282 103	-		-	2 024 916		9 257 186	9 257 186	-
Municipal Disaster Recovery Grant	7 077 772	-		-	4 246 325		2 831 447	2 831 447	-
Transport, Education and Training SETA	-	95 855	-	95 855	-	-	-	-	-
Total Provincial Government Grants	22 699 967	9 561 855	-	7 875 761	8 104 679	-	16 281 383	- 16 312 298	(30 915)
TOTAL GOVERNMENT GRANTS	22 699 967	98 532 855	-	64 101 544	37 751 191	-	19 380 088	- 19 411 003	(30 915)
<u>Other Grant providers:</u>									
TRONOX	-	5 000 000	-	-	1 665 281		3 334 719	3 334 719	
TOTAL OTHER GRANT PROVIDERS	-	5 000 000	-	-	1 665 281	-	3 334 719	- 3 334 719	-
TOTAL GRANTS	22 699 967	103 532 855	-	64 101 544	39 416 472	-	22 714 807	- 22 745 722	(30 915)

MATZIKAMA MUNICIPALITY - Reconciliation of Table A1 Budget Summary - Unaudited

Description	2018/2019								2017/2018			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
R thousands												
Financial Performance												
Property rates	47 103	0	47 103	43 225		(3 878)	91.8%	91.8%				44 727
Service charges	170 656	6 988	177 644	158 560		(19 084)	89.3%	92.9%				140 281
Investment revenue	1 632	1 900	3 532	3 312		(220)	93.8%	202.9%				2 498
Transfers recognised - operational	64 089	4 386	68 476	64 102		(4 374)	93.6%	100.0%				59 053
Other own revenue	30 039	26 178	56 217	57 594		1 377	102.4%	191.7%				26 581
Total Revenue (excluding capital transfers and contributions)	313 520	39 452	352 973	326 793		(26 180)	92.6%	104.2%				273 139
Employee costs	122 493	15 905	138 398	138 632	–	234	100.2%	113.2%	–	–	–	111 255
Remuneration of councillors	7 226	(291)	6 935	6 935	–	(0)	100.0%	96.0%	–	–	–	6 839
Debt impairment	13 478	4 322	17 800	18 293	–	493	102.8%	135.7%	–	–	–	17 675
Depreciation & asset impairment	15 030	1 246	16 277	14 588	–	(1 689)	89.6%	97.1%	–	–	–	13 965
Finance charges	10 099	(2 474)	7 625	8 231	–	606	107.9%	81.5%	–	–	–	8 242
Materials and bulk purchases	106 145	1 396	107 541	103 984	–	(3 557)	96.7%	98.0%	–	–	–	96 141
Transfers and grants	1 511	25	1 537	1 249	–	(287)	81.3%	82.6%	–	–	–	1 428
Other expenditure	37 325	19 392	56 717	37 473	–	(19 244)	66.1%	100.4%	–	–	–	34 553
Total Expenditure	313 308	39 522	352 830	329 386	–	(23 444)	93.4%	105.1%	–	–	–	290 099
Surplus/(Deficit)	213	(70)	143	(2 593)		(2 736)	-1815.5%	-1219.1%				(16 960)
Transfers recognised - capital	40 317	12 308	52 625	37 751		(14 874)	71.7%	93.6%				35 858
Contributions recognised - capital & contributed assets	5 000	–	5 000	33 633		28 633	0.0%	672.7%				8
Surplus/(Deficit) after capital transfers & contributions	45 530	12 238	57 768	68 791		11 023	119.1%	151.1%				18 906
Share of surplus/ (deficit) of associate	–	–	–	–		–	0.0%	0.0%				–
Surplus/(Deficit) for the year	45 530	12 238	57 768	68 791		11 023	119.1%	151.1%				18 906
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	40 317	17 308	57 625	34 100		(23 525)	59.2%	84.6%				31 475
Public contributions & donations	5 000	(5 000)	–	–		–	0.0%	0.0%				–
Borrowing	10 000	–	10 000	9 572		(428)	0.0%	0.0%				–
Internally generated funds	4 545	1 101	5 646	4 047		(1 599)	71.7%	89.0%				9 179
Total sources of capital funds	59 862	13 409	73 271	47 719		(25 551)	65.1%	79.7%				40 655
Cash flows												
Net cash from (used) operating	57 296	(20 552)	36 744	33 229		(3 515)	90.4%	58.0%				81 532
Net cash from (used) investing	(49 309)	(13 409)	(62 718)	(48 863)		13 855	77.9%	99.1%				(37 640)
Net cash from (used) financing	196	3 918	4 115	607		(3 508)	14.7%	308.8%				(1 555)
Cash/cash equivalents at the year end	27 869	(3 275)	24 593	31 425		6 831	127.8%	112.8%				46 453

MATZIKAMA MUNICIPALITY - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification) - Unaudited

Description	2018/2019								2017/18			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Functional												
Governance and administration	161 881	25 932	187 813	171 220		(16 593)	91.2%	105.8%				140 371
Executive and council	–	27	27	27		–	100.0%	#DIV/0!				231
Finance and administration	161 881	25 905	187 786	171 193		(16 593)	91.2%	105.8%				140 140
Internal audit	–	–	–	–		–	0.0%	0.0%				–
Community and public safety	10 904	3 511	14 415	9 613		(4 802)	66.7%	88.2%				10 132
Community and social services	7 854	(166)	7 688	6 814		(874)	88.6%	86.8%				7 138
Sport and recreation	2 705	0	2 706	2 272		(433)	84.0%	84.0%				2 126
Public safety	–	–	–	–		–	0.0%	0.0%				–
Housing	344	3 677	4 021	527		(3 495)	13.1%	153.0%				868
Health	–	–	–	–		–	0.0%	0.0%				–
Economic and environmental services	15 344	13 830	29 174	57 800		28 626	198.1%	376.7%				18 180
Planning and development	5 494	126	5 620	2 080		(3 540)	37.0%	37.9%				628
Road transport	9 851	13 703	23 554	55 720		32 167	236.6%	565.7%				17 553
Environmental protection	–	–	–	–		–	0.0%	0.0%				–
Trading services	170 709	8 487	179 196	159 544		(19 651)	89.0%	93.5%				140 322
Energy sources	123 171	299	123 470	108 452		(15 017)	87.8%	88.1%				100 072
Water management	15 308	6 988	22 296	19 487		(2 809)	87.4%	127.3%				11 016
Waste water management	15 919	1 200	17 119	16 236		(883)	94.8%	102.0%				14 252
Waste management	16 311	0	16 311	15 369		(942)	94.2%	94.2%				14 983
Other	–	–	–	–		–	0.0%	0.0%				–
Total Revenue - Standard	358 838	51 760	410 598	398 177		(12 421)	97.0%	111.0%				309 006
Expenditure - Functional												
Governance and administration	73 212	11 906	85 119	74 091	–	(11 028)	87.0%	101.2%	–	–	–	67 845
Executive and council	14 100	3 296	17 395	15 864	–	(1 531)	91.2%	112.5%	–	–	–	14 181
Finance and administration	59 113	8 611	67 724	58 227	–	(9 497)	86.0%	98.5%	–	–	–	53 664
Internal audit	–	–	–	–	–	–	0.0%	0.0%	–	–	–	–
Community and public safety	24 356	7 351	31 707	27 021	–	(4 686)	85.2%	110.9%	–	–	–	20 269
Community and social services	15 283	3 860	19 143	18 256	–	(887)	95.4%	119.5%	–	–	–	13 060
Sport and recreation	7 631	(155)	7 476	7 058	–	(418)	94.4%	92.5%	–	–	–	5 897
Public safety	–	–	–	–	–	–	0.0%	0.0%	–	–	–	–
Housing	1 442	3 646	5 088	1 707	–	(3 381)	33.6%	118.4%	–	–	–	1 312
Health	–	–	–	–	–	–	0.0%	0.0%	–	–	–	–
Economic and environmental services	51 853	10 429	62 282	62 381	–	99	100.2%	120.3%	–	–	–	50 212
Planning and development	10 892	(258)	10 633	9 274	–	(1 360)	87.2%	85.1%	–	–	–	8 502
Road transport	40 961	10 687	51 648	53 107	–	1 459	102.8%	129.7%	–	–	–	41 710
Environmental protection	–	–	–	–	–	–	0.0%	0.0%	–	–	–	–
Trading services	162 300	9 597	171 897	164 233	–	(7 664)	95.5%	101.2%	–	–	–	150 278
Energy sources	105 555	6 163	111 718	105 103	–	(6 615)	94.1%	99.6%	–	–	–	97 729
Water management	20 763	3 606	24 368	21 585	–	(2 783)	88.6%	104.0%	–	–	–	17 492
Waste water management	13 919	(1 064)	12 855	13 417	–	561	104.4%	96.4%	–	–	–	12 763
Waste management	22 063	892	22 955	24 128	–	1 173	105.1%	109.4%	–	–	–	22 295
Other	1 587	239	1 826	1 660	–	(166)	90.9%	104.6%	–	–	–	1 495
Total Expenditure - Standard	313 308	39 522	352 830	329 386	–	(23 444)	93.4%	105.1%	–	–	–	290 099
Surplus/(Deficit) for the year	45 530	12 238	57 768	68 791	–	11 023	119.1%	151.1%	–	–	–	18 906

MATZIKAMA MUNICIPALITY - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote) - Unaudited

Vote Description R thousand	2018/2019								2017/18			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Vote 1 - Council & Executive	–	27	27	27		–	100.0%	#DIV/0!				231
Vote 2 - Financial Services	151 610	25 134	176 744	158 034		(18 710)	89.4%	104.2%				127 577
Vote 3 - Corporate Services	7 625	51	7 676	6 985		(692)	91.0%	91.6%				1 508
Vote 4 - Community Development Services	16 903	17 206	34 109	26 646		(7 463)	78.1%	157.6%				47 172
Vote 5 - Infrastructure Services	182 699	9 342	192 042	206 486		14 444	107.5%	113.0%				132 518
	–	–	–	–		–	0.0%	0.0%				–
Total Revenue by Vote	358 838	51 760	410 598	398 177		(12 421)	97.0%	111.0%				309 006
Expenditure by Vote to be appropriated												
Vote 1 - Council & Executive	14 100	3 296	17 395	15 864	(1 531)	(1 531)	91.2%	112.5%	–	–	–	14 181
Vote 2 - Financial Services	42 803	4 582	47 386	38 936	(8 450)	(8 450)	82.2%	91.0%	–	–	–	35 839
Vote 3 - Corporate Services	21 679	3 837	25 516	25 114	(402)	(402)	98.4%	115.8%	–	–	–	15 330
Vote 4 - Community Development Services	45 546	14 907	60 453	59 454	(999)	(999)	98.3%	130.5%	–	–	–	68 774
Vote 5 - Infrastructure Services	189 180	12 900	202 080	190 018	(12 062)	(12 062)	94.0%	100.4%	–	–	–	155 975
	–	–	–	–	–	–	0.0%	#DIV/0!	–	–	–	–
Total Expenditure by Vote	313 308	39 522	352 830	329 386	(23 444)	(23 444)	93.4%	105.1%	–	–	–	290 099
Surplus/(Deficit) for the year	45 530	12 238	57 768	68 791		11 023	119.1%	151.1%				18 906

MATZIKAMA MUNICIPALITY - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure) - Unaudited

Description R thousand	2018/2019								2017/18			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue By Source												
Property rates	47 103	0	47 103	43 225		(3 878)	91.8%	91.8%				44 727
Service charges - electricity revenue	123 171	0	123 171	108 452		(14 718)	88.1%	88.1%				100 072
Service charges - water revenue	15 308	6 988	22 296	19 487		(2 809)	87.4%	127.3%				11 016
Service charges - sanitation revenue	15 919	0	15 919	15 268		(652)	95.9%	95.9%				14 252
Service charges - refuse revenue	16 258	0	16 258	15 353		(905)	94.4%	94.4%				14 941
Service charges - other	–	–	–	–		–	0.0%	0.0%				–
Rental of facilities and equipment	1 513	825	2 338	2 290		(47)	98.0%	151.4%				1 597
Interest earned - external investments	1 632	1 900	3 532	3 312		(220)	93.8%	202.9%				2 498
Interest earned - outstanding debtors	3 285	1 129	4 414	4 900		486	111.0%	149.2%				2 835
Dividends received	–	–	–	–		–	0.0%	0.0%				–
Fines, penalties and forfeits	2 594	13 200	15 794	16 447		653	104.1%	634.0%				10 835
Licences and permits	1 126	0	1 127	1 010		(116)	89.7%	89.7%				1 302
Agency services	3 234	300	3 534	3 369		(165)	95.3%	104.2%				3 285
Transfers and subsidies	64 089	4 386	68 476	64 102		(4 374)	93.6%	100.0%				59 053
Other revenue	7 734	10 724	18 458	29 468		11 010	159.6%	381.0%				6 241
Gains on disposal of PPE	10 553	0	10 553	110		(10 443)	1.0%	1.0%				486
Total Revenue (excluding capital transfers and contributions)	313 520	39 452	352 973	326 793		(26 180)	1303.8%	2310.9%				273 139
Expenditure By Type												
Employee related costs	122 493	15 905	138 398	138 632	–	234	100.2%	113.2%	–	–	–	111 255
Remuneration of councillors	7 226	(291)	6 935	6 935	–	(0)	100.0%	96.0%	–	–	–	6 839
Debt impairment	13 478	4 322	17 800	18 293	–	493	102.8%	135.7%	–	–	–	17 675
Depreciation & asset impairment	15 030	1 246	16 277	14 588	–	(1 689)	89.6%	97.1%	–	–	–	13 965
Finance charges	10 099	(2 474)	7 625	8 231	–	606	107.9%	81.5%	–	–	–	8 242
Bulk purchases	94 443	(0)	94 443	94 145	–	(299)	99.7%	99.7%	–	–	–	87 612
Other materials	11 702	1 396	13 098	9 839	–	(3 258)	75.1%	0.0%	–	–	–	8 529
Contracted services	10 786	6 523	17 309	9 643	–	(7 666)	55.7%	89.4%	–	–	–	7 748
Transfers and subsidies	1 511	25	1 537	1 249	–	(287)	81.3%	82.6%	–	–	–	1 428
Other expenditure	26 539	12 869	39 408	27 683	–	(11 726)	70.2%	104.3%	–	–	–	26 157
Loss on disposal of PPE	–	–	–	147	–	147	0.0%	0.0%	–	–	–	649
Total Expenditure	313 308	39 522	352 830	329 386	–	(23 444)	882.6%	899.5%	–	–	–	290 099
Surplus/(Deficit)	213	(70)	143	(2 593)	–	(2 736)	-1815.5%	-1219.1%				(16 960)
Transfers and subsidies - capital (monetary allocations)	40 317	12 308	52 625	37 751		(14 874)	71.7%	0.0%				35 858
Transfers and subsidies - capital (monetary allocations)	5 000	–	5 000	1 665		(3 335)	0.0%	33.3%				–
Transfers and subsidies - capital (in-kind - all)	–	–	–	31 968		31 968	0.0%	0.0%				8
Surplus/(Deficit) after capital transfers & contributions	45 530	12 238	57 768	68 791		11 023	119.1%	151.1%				18 906
Taxation	–	–	–	–		–	0.0%	0.0%				–
Surplus/(Deficit) after taxation	45 530	12 238	57 768	68 791		11 023	119.1%	151.1%				18 906
Attributable to minorities	–	–	–	–		–	0.0%	0.0%				–
Surplus/(Deficit) attributable to municipality	45 530	12 238	57 768	68 791		11 023	119.1%	151.1%				18 906
Share of surplus/ (deficit) of associate	–	–	–	–		–	0.0%	0.0%				–
Surplus/(Deficit) for the year	45 530	12 238	57 768	68 791		11 023	119.1%	151.1%				18 906

MATZIKAMA MUNICIPALITY - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding - Unaudited

Vote Description R thousand	2018/2019								2017/18			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - Council & Executive	900	(252)	648	610	-	(38)	94%	68%	-	-	-	-
Vote 2 - Financial Services	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 3 - Corporate Services	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 4 - Community Development Services	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 5 - Infrastructure Services	-	-	-	-	-	-	0%	0%	-	-	-	-
Capital multi-year expenditure	900	(252)	648	610	-	(38)	94%	68%	-	-	-	-
Single-year expenditure												
Vote 1 - Council & Executive	-	590	590	588	-	(2)	0%	0%	-	-	-	-
Vote 2 - Financial Services	425	225	650	471	-	(179)	72%	111%	-	-	-	-
Vote 3 - Corporate Services	955	22	977	856	-	(121)	88%	90%	-	-	-	-
Vote 4 - Community Development Services	845	557	1 402	957	-	(446)	68%	113%	-	-	-	-
Vote 5 - Infrastructure Services	56 737	12 266	69 004	44 238	-	(24 765)	64%	78%	-	-	-	37 068
	-	-	-	-	-	-	0%	0%	-	-	-	-
Capital single-year expenditure	58 962	13 660	72 622	47 109	-	(25 513)	65%	80%	-	-	-	37 068
Total Capital Expenditure - Vote	59 862	13 409	73 271	47 719	-	(25 551)	65%	80%	-	-	-	37 068
Capital Expenditure - Functional												
Governance and administration	1 600	516	2 116	1 874	-	(242)	89%	117%	-	-	-	2 090
Executive and council	900	338	1 238	1 198	-	(40)	97%	133%	-	-	-	660
Finance and administration	700	178	878	676	-	(202)	77%	97%	-	-	-	1 431
Internal audit	-	-	-	-	-	-	0%	0%	-	-	-	-
Community and public safety	2 225	799	3 024	2 514	-	(510)	83%	113%	-	-	-	2 743
Community and social services	930	682	1 612	1 283	-	(329)	80%	138%	-	-	-	346
Sport and recreation	1 295	57	1 352	1 231	-	(121)	91%	95%	-	-	-	2 397
Public safety	-	60	60	-	-	(60)	0%	0%	-	-	-	-
Housing	-	-	-	-	-	-	0%	0%	-	-	-	-
Health	-	-	-	-	-	-	0%	0%	-	-	-	-
Economic and environmental services	22 636	(355)	22 280	19 397	-	(2 883)	87%	86%	-	-	-	17 337
Planning and development	185	(65)	120	95	-	(25)	79%	51%	-	-	-	42
Road transport	22 451	(290)	22 160	19 302	-	(2 858)	87%	86%	-	-	-	17 296
Environmental protection	-	-	-	-	-	-	0%	0%	-	-	-	-
Trading services	33 402	12 448	45 850	23 934	-	(21 916)	52%	72%	-	-	-	18 484
Energy sources	6 900	(2 247)	4 653	4 139	-	(514)	89%	60%	-	-	-	1 950
Water management	19 510	14 096	33 605	13 102	-	(20 503)	39%	67%	-	-	-	11 772
Waste water management	1 892	1 659	3 551	2 791	-	(759)	79%	148%	-	-	-	2 740
Waste management	5 100	(1 058)	4 042	3 903	-	(139)	97%	77%	-	-	-	2 022
Other	-	-	-	-	-	-	0%	0%	-	-	-	-
Total Capital Expenditure - Standard	59 862	13 409	73 271	47 719	-	(25 551)	65%	80%	-	-	-	40 655
Funded by:												
National Government	35 949	4 624	40 573	30 236	-	(10 337)	75%	84%	-	-	-	30 162
Provincial Government	4 369	7 683	12 052	2 416	-	(9 636)	20%	55%	-	-	-	1 314
District Municipality	-	-	-	-	-	-	0%	0%	-	-	-	-
Other transfers and grants	-	5 000	5 000	1 448	-	(3 552)	0%	0%	-	-	-	-
Transfers recognised - capital	40 317	17 308	57 625	34 100	-	(23 525)	59%	85%	-	-	-	31 475
Public contributions & donations	5 000	(5 000)	-	-	-	-	0%	0%	-	-	-	-
Borrowing	10 000	-	10 000	9 572	-	(428)	0%	0%	-	-	-	-
Internally generated funds	4 545	1 101	5 646	4 047	-	(1 599)	72%	89%	-	-	-	9 179
Total Capital Funding	59 862	13 409	73 271	47 719	-	(25 551)	65%	80%	-	-	-	40 655

MATZIKAMA MUNICIPALITY - Reconciliation of Table A7 Budgeted Cash Flows - Unaudited

Description	2018/2019							2017/18
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties and collection charges	44 012	(513)	43 499	43 452	(47)	99.9%	98.7%	–
Service charges	159 456	4 596	164 052	162 137	(1 915)	98.8%	101.7%	180 981
Other revenue	18 393	1 054	19 448	5 613	(13 834)	28.9%	30.5%	–
Government - operating	64 089	2 769	66 858	64 709	(2 149)	96.8%	101.0%	58 696
Government - capital	40 317	(1 824)	38 494	38 824	330	100.9%	96.3%	58 066
Interest	4 918	2 691	7 609	8 212	603	107.9%	167.0%	5 332
Dividends	–	–	–	–	–	0.0%	0.0%	–
Payments								
Suppliers and employees	(269 219)	(30 687)	(299 906)	(282 878)	17 028	94.3%	105.1%	(214 504)
Finance charges	(3 159)	1 386	(1 773)	(5 592)	(3 819)	315.4%	177.0%	(5 603)
Transfers and Grants	(1 511)	(25)	(1 537)	(1 249)	287	81.3%	82.6%	(1 436)
NET CASH FROM/(USED) OPERATING ACTIVITIES	57 296	(20 552)	36 744	33 229	(3 515)	0.0%	0.0%	81 532
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	10 553	–	10 553	184	(10 369)	1.7%	1.7%	1 204
Decrease (Increase) in non-current debtors	–	–	–	(1 328)	(1 328)	0.0%	0.0%	(64)
Decrease (increase) other non-current receivables	–	–	–	–	–	#DIV/0!	#DIV/0!	–
Decrease (increase) in non-current investments	–	–	–	–	–	0.0%	0.0%	–
Payments								
Capital assets	(59 862)	(13 409)	(73 271)	(47 719)	25 551	65.1%	79.7%	(38 780)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(49 309)	(13 409)	(62 718)	(48 863)	13 855	0.0%	0.0%	(37 640)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	–	–	–	–	–	0.0%	0.0%	–
Borrowing long term/refinancing	10 000	–	10 000	10 000	–	0.0%	0.0%	–
Increase (decrease) in consumer deposits	(4 452)	4 302	(150)	(4 732)	(4 582)	3159.9%	106.3%	280
Payments								
Repayment of borrowing	(5 352)	(384)	(5 736)	(4 662)	1 074	81.3%	87.1%	(1 835)
NET CASH FROM/(USED) FINANCING ACTIVITIES	196	3 918	4 115	607	(3 508)	14.7%	308.8%	(1 555)
NET INCREASE/ (DECREASE) IN CASH HELD	8 183	(30 042)	(21 859)	(15 028)				
Cash/cash equivalents at the year begin:	19 686	26 767	46 453	46 453				4 116
Cash/cash equivalents at the year end:	27 869	(3 275)	24 593	31 425	–	127.8%	112.8%	46 453

Report of the auditor-general to the Western Cape Provincial Parliament and council on Matzikama Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Matzikama Municipality set out on pages 9 to 57, which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Matzikama Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No.56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act No. 1 of 2018) (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and, parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

7. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2018 has been restated as a result of an error in the financial statements of the municipality at, and for the year ended 30 June 2019.

Material Impairments

8. As disclosed in note 15 to the financial statements, the municipality provided for debt impairment of receivables from exchange transactions amounting to R43 555 229 (2017-18: R40 371 776).
9. As disclosed in note 16 to the financial statements, the municipality provided for debt impairment of receivables from non-exchange transactions amounting to R35 701 879 (2017-18: R23 953 025).

Material losses

10. As disclosed in note 43 to the financial statements, material electricity losses of 10 612 982 Kwh (2017-18: 10 476 360 Kwh) were incurred, which represents 13,25% (2017-18:13,10%) of total electricity purchased.

Underspending of the conditional grants

11. As disclosed in note 8 to the financial statements, the municipality underspent its conditional grants by R22 714 807 (2017-18: R22 699 967).

Other matters

12. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited disclosure notes

13. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on them.

Unaudited supplementary schedules

14. The supplementary information set out on pages 58 to 67 did not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion them.

Responsibilities of the accounting officer for the financial statements

15. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
16. In preparing the financial statements, the accounting officer is responsible for assessing the Matzikama Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

17. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
18. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

19. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
20. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
21. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2019:

Objectives	Pages in the annual performance report
Strategic Objective 5 – Provide municipal basic services to meet demands of growing population and development challenges.	12 – 16

22. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

23. I did not raise any material findings on the usefulness and reliability of the reported performance information for this strategic objective.

Other matters

24. I draw attention to the matter below.

Achievement of planned targets

25. Refer to the annual performance report on pages 12 to 16 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

26. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Strategic objective 5 – Provide municipal basic services to meet demands of growing population and development challenges. As management subsequently corrected the misstatements, we did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

27. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

28. The material findings on compliance with specific matters in key legislations are as follows:

Procurement and contract management

29. The bid adjudication committee was not correctly composed in terms of regulation 29(2) of the Municipal Supply Chain Management Regulations which requires that four senior managers (as defined within the MFMA) form part of the bid adjudication committee.

Other information

30. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

31. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

32. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
33. If based on the work I have performed, I conclude that if there is a material misstatement in this other information, I am required to report that fact.
34. I have nothing to report in this regard.

Internal control deficiencies

35. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
36. The monitoring of internal control was not adequate to prevent and detect non compliance with the applicable laws and regulations.

Auditor-General

Cape Town

7 December 2019



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Matzikama Municipality’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease continuing as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Matzikama

MUNICIPALITY



AUDITED ANNUAL FINANCIAL STATEMENTS

30 JUNE 2019

MATZIKAMA MUNICIPALITY

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MATZIKAMA MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

GENERAL INFORMATION

NATURE OF BUSINESS

Matzikama Municipality is a local municipality performing the functions as set out in the Constitution of the Republic of South Africa.

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998) and are classified as a medium capacity municipality.

JURISDICTION

The Matzikama Municipality includes the following areas:

Vredendal
Vanrhynsdorp
Klawer
Koekenaap
Lutzville
Ebenhaezer
Strandfontein
Doringbaai
Bitterfontein
Nuwerus
Stofkraal
Molsvlei
Rietpoort
Kliprand

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	J VAN DER HOOVEN
Deputy Executive Mayor	DD JENNER
Executive Councillor	A SINDYAMBA
Executive Councillor	WD LOFF
Executive Councillor	AFK JOB

MUNICIPAL MANAGER

DP LUBBE

CHIEF FINANCIAL OFFICER

GRJ SEAS

REGISTERED OFFICE

37 Church Street, Vredendal, 8160

AUDITORS

Auditor-General of South Africa, Private Bag X1, Chempet, 7442

PRINCIPLE BANKERS

ABSA Bank

ATTORNEYS

Swanepoel and Swanepoel Attorneys
Koos Coetzee Attorneys
Downing Engelbrecht

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements

MATZIKAMA MUNICIPALITY

MEMBERS OF THE MATZIKAMA MUNICIPALITY

COUNCILLORS

1	M CAROSINI
2	AFK JOB
3	AW LINKS
4	WD LOFF
5	NS LOUW
6	M BAINS
7	A SINDYAMBA
8	MV CLOETE
Proportional	J VAN DER HOOVEN
Proportional	WH NELL
Proportional	PG BOK
Proportional	NM NGOBO
Proportional	J DE JONGH
Proportional	XP TSHETU
Proportional	DD JENNER

APPROVAL OF FINANCIAL STATEMENTS

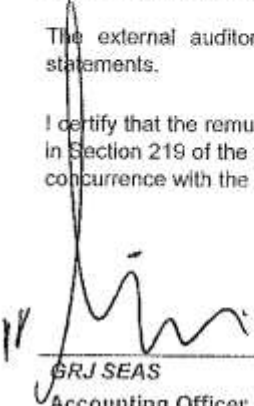
I am responsible for the preparation of these annual financial statements for the year ended 30 JUNE 2019, which are set out on pages 9 to 58 in terms of Section 126 (1)(a) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2020 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and approved by council in concurrence with the MEC for Local Government in the province.


GRJ SEAS
Accounting Officer

07/12/19

Date

Report of the auditor-general to the Western Cape Provincial Parliament and council on Matzikama Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Matzikama Municipality set out on pages 9 to 57, which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Matzikama Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No.56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act No. 1 of 2018) (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and, parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

7. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2018 has been restated as a result of an error in the financial statements of the municipality at, and for the year ended 30 June 2019.

Material Impairments

8. As disclosed in note 15 to the financial statements, the municipality provided for debt impairment of receivables from exchange transactions amounting to R43 555 229 (2017-18: R40 371 776).
9. As disclosed in note 16 to the financial statements, the municipality provided for debt impairment of receivables from non-exchange transactions amounting to R35 701 879 (2017-18: R23 953 025).

Material losses

10. As disclosed in note 43 to the financial statements, material electricity losses of 10 612 982 Kwh (2017-18: 10 476 360 Kwh) were incurred, which represents 13,25% (2017-18:13,10%) of total electricity purchased.

Underspending of the conditional grants

11. As disclosed in note 8 to the financial statements, the municipality underspent its conditional grants by R22 714 807 (2017-18: R22 699 967).

Other matters

12. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited disclosure notes

13. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on them.

Unaudited supplementary schedules

14. The supplementary information set out on pages 58 to 67 did not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion them.

Responsibilities of the accounting officer for the financial statements

15. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
16. In preparing the financial statements, the accounting officer is responsible for assessing the Matzikama Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

17. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
18. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

19. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
20. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
21. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2019:

Objectives	Pages in the annual performance report
Strategic Objective 5 – Provide municipal basic services to meet demands of growing population and development challenges.	12 – 16

22. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

23. I did not raise any material findings on the usefulness and reliability of the reported performance information for this strategic objective.

Other matters

24. I draw attention to the matter below.

Achievement of planned targets

25. Refer to the annual performance report on pages 12 to 16 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

26. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Strategic objective 5 – Provide municipal basic services to meet demands of growing population and development challenges. As management subsequently corrected the misstatements, we did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

27. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
28. The material findings on compliance with specific matters in key legislations are as follows:

Procurement and contract management

29. The bid adjudication committee was not correctly composed in terms of regulation 29(2) of the Municipal Supply Chain Management Regulations which requires that four senior managers (as defined within the MFMA) form part of the bid adjudication committee.

Other information

30. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
31. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

32. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
33. If based on the work I have performed, I conclude that if there is a material misstatement in this other information, I am required to report that fact.
34. I have nothing to report in this regard.

Internal control deficiencies

35. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
36. The monitoring of internal control was not adequate to prevent and detect non compliance with the applicable laws and regulations.

Auditor-General

Cape Town

7 December 2019



Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Matzikama Municipality’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease continuing as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

MATZIKAMA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	2019 R	Restated 2018 R
NET ASSETS		594 898 386	526 107 208
Capital Replacement Reserve	2	3 405 000	4 545 000
Accumulated Surplus		591 493 386	521 562 208
LIABILITIES			
Non-Current Liabilities		122 622 693	113 917 152
Borrowings	3	22 612 432	19 066 401
Provisions	4	100 010 261	94 850 751
Current Liabilities		87 042 559	80 506 984
Consumer Deposits	5	-	4 731 743
Current Employee benefits	6	13 992 596	11 298 102
Payables from exchange transactions	7	43 549 407	36 814 709
Unspent Transfers and Subsidies	8	22 745 722	22 699 967
Current portion of Borrowings	3	6 754 834	4 962 463
TOTAL NET ASSETS AND LIABILITIES		804 563 638	720 531 344
ASSETS			
Non-Current Assets		731 972 897	642 489 818
Property, plant and equipment	10	643 264 012	574 327 723
Investment Property	11	87 882 500	67 344 800
Intangible Assets	12	491 717	610 882
Operating Lease Asset	17	78 536	86 179
Long-term Receivables	13	256 132	120 234
Current Assets		72 590 741	78 041 526
Cash and Cash Equivalents	18	31 424 554	46 452 617
Receivables from exchange transactions	15	25 621 327	20 455 871
Receivables from non-exchange transactions	16	8 584 624	8 481 791
Inventories	14	466 772	694 818
Value Added Taxation	9	5 686 509	1 714 580
Transfers and Subsidies Receivable	8	30 915	-
Current portion of long-term receivables	13	768 397	240 466
Operating Lease Asset	17	7 643	1 383
TOTAL ASSETS		804 563 638	720 531 344

MATZIKAMA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 R	Restated 2018 R
REVENUE			
Exchange revenue		178 579 795	157 136 843
Service charges	21	158 559 989	140 281 091
Sales of Goods and Rendering of Services	22	2 765 513	2 731 805
Rental of letting investment property and facilities	24	4 553 470	3 718 402
Interest earned	25	8 212 160	5 332 463
Licences and Permits		1 010 375	1 301 928
Agency Services	26	3 368 514	3 284 970
Gains on Sale Investment Property		109 774	486 184
Non-exchange revenue		218 996 153	150 834 885
Property rates	19	43 225 413	44 726 706
Fines, penalties and forfeits	37	16 446 782	10 835 350
Government grants and subsidies	20	103 518 015	94 911 850
Fair Value Adjustments Investment Property	11	23 838 200	353 218
Contributed property, plant and equipment	23	31 967 743	7 761
Other revenue		601 061	1 033 873
Actuarial Gains	4	601 061	1 033 873
Total Revenue		398 177 009	309 005 601
EXPENDITURE			
Employee related costs	27	140 477 531	112 842 560
Remuneration of Councillors	29	6 935 002	6 839 312
Contracted Services	30	9 642 766	7 747 928
Debt Impairment	31	18 293 389	17 675 241
Depreciation and Amortisation	32	14 469 259	13 881 342
Finance Costs	33	5 591 909	5 603 101
Bulk Purchases	34	94 144 671	87 611 998
Transfers and Subsidies	36	1 249 219	1 436 453
Inventory Consumed	14	10 012 164	8 529 196
Operational Costs	38	25 643 609	24 420 618
Actuarial Loss	4	-	78 940
Remeasurement of provision		2 639 353	2 639 298
Impairment loss on Property, Plant and Equipment	10	118 756	144 484
Loss on disposal of Property, Plant and Equipment		147 001	649 006
Loss on Foreign Exchange relating to purchases of Licences		21 203	-
Total Expenditure		329 385 831	290 099 476
NET SURPLUS FOR THE YEAR		68 791 178	18 906 125

MATZIKAMA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
Balance at 30 June 2017 as previously stated	4 392 000	502 484 684	506 876 684
Correction of error - note 40.4	-	324 400	324 400
Restated Balance at 30 June 2017	4 392 000	502 809 084	507 201 084
Net Surplus for the year	-	18 906 125	18 906 125
Transfer to/from CRR	4 545 000	(4 545 000)	-
Property, Plant and Equipment purchased	(4 392 000)	4 392 000	-
Restated Balance at 30 June 2018	4 545 000	521 562 208	526 107 208
Net Surplus for the year	-	68 791 178	68 791 178
Transfer to/from CRR	3 405 000	(3 405 000)	-
Property, Plant and Equipment purchased	(4 545 000)	4 545 000	-
Balance at 30 JUNE 2019	3 405 000	591 493 386	594 898 386

MATZIKAMA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 R	Restated 2018 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		211 202 893	180 981 175
Government grants and transfers		103 532 855	116 762 158
Interest received		8 212 160	5 332 463
		<u>322 947 909</u>	<u>303 075 796</u>
Payments			
Employee cost		(144 116 977)	(118 258 716)
Suppliers		(140 010 520)	(97 682 177)
Finance cost		(5 591 908)	(5 603 101)
		<u>(289 719 405)</u>	<u>(221 543 994)</u>
Net Cash from Operating Activities		<u>33 228 504</u>	<u>81 531 802</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of Property, Plant and Equipment		(47 719 340)	(38 330 278)
Acquisition of Intangible assets		-	(449 555)
Cash proceeds from the sales of investment property		183 774	1 204 184
Increase in Non-Current Debtors		(1 327 660)	(64 178)
		<u>(48 863 226)</u>	<u>(37 639 827)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised	3.1	10 000 000	-
Borrowings repaid		(4 661 598)	(1 835 195)
Interest paid			
(Decrease)/ Increase in consumer deposits		(4 731 743)	279 781
		<u>606 659</u>	<u>(1 555 414)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(15 028 063)</u>	<u>42 336 561</u>
Cash and Cash Equivalents at the beginning of the year		46 452 617	4 116 056
Cash and Cash Equivalents at the end of the year	39.2	<u>31 424 554</u>	<u>46 452 617</u>

MATZIKAMA MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by- law)	Final Budget	Actual Outcome 2019	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	%
ASSETS								
Current Assets								
Cash	27 868 755	(3 275 454)	24 593 301	-	-	24 593 301	31 424 554	27.78%
Consumer Debtors	26 805 851	1 641 510	28 447 361	-	-	28 447 361	28 001 386	-1.57%
Other Debtors	1 960 824	5 838 925	7 799 749	-	-	7 799 749	11 929 632	52.95%
Current Portion of long-term receivables	266 810	-	266 810	-	-	266 810	768 397	187.99%
Inventory	549 597	102 000	651 597	-	-	651 597	466 772	-28.36%
Total Current Assets	57 451 837	4 306 981	61 758 818	-	-	61 758 818	72 590 741	17.54%
Non-Current Assets								
Long-term Receivables	82 765	45 000	127 765	-	-	127 765	256 132	100.47%
Investment Property	67 691 582	10 167 718	77 859 300	-	-	77 859 300	87 882 500	12.87%
Property, Plant and Equipment	638 402 885	(7 253 264)	631 149 622	-	-	631 149 622	643 264 012	1.92%
Intangible Assets	590 051	(105 008)	485 043	-	-	485 043	491 717	1.38%
Other Non-Current Assets	-	-	-	-	-	-	78 536	100.00%
Total Non-Current Assets	706 767 283	2 854 446	709 621 730	-	-	709 621 730	731 972 897	3.15%
TOTAL ASSETS	764 219 120	7 161 427	771 380 548	-	-	771 380 548	804 563 638	4.30%
LIABILITIES								
Current Liabilities								
Borrowing	5 648 594	1 644 740	7 293 334	-	-	7 293 334	6 754 834	-7.38%
Consumer Deposits	-	4 582 000	4 582 000	-	-	4 582 000	-	-100.00%
Trade and Other Payables	17 206 088	21 219 191	38 425 279	-	-	38 425 279	66 295 129	72.53%
Provisions	11 312 178	1 162 829	12 475 007	-	-	12 475 007	13 992 596	12.17%
Total Current Liabilities	34 166 860	28 608 760	62 775 620	-	-	62 775 620	87 042 559	38.66%
Non-Current Liabilities								
Borrowing	20 662 586	723 516	21 386 102	-	-	21 386 102	22 612 432	5.73%
Provisions	101 483 681	(4 211 866)	97 271 815	-	-	97 271 815	100 010 261	2.82%
Total Non-Current Liabilities	122 146 267	(3 488 350)	118 657 917	-	-	118 657 917	122 622 693	3.34%
TOTAL LIABILITIES	156 313 127	25 120 410	181 433 537	-	-	181 433 537	209 665 252	15.56%
NET ASSETS								
Accumulated Surplus/(Deficit)	603 360 993	(24 343 983)	579 017 010	-	-	579 017 010	591 493 386	2.15%
Reserves	4 545 000	6 385 000	10 930 000	-	-	10 930 000	3 405 000	-68.85%
TOTAL NET ASSETS	607 905 993	(17 958 983)	589 947 010	-	-	589 947 010	594 898 386	0.84%

EXPLANATORY NOTES ON ALL MATERIAL VARIANCES LARGER THAN 10% PRESENTED IN NOTE 53

MATZIKAMA MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by- law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	2019 R	%
REVENUE								
Property Rates	47 103 449	6	47 103 455	-	-	47 103 455	43 225 413	-8.23%
Service Charges - Electricity Revenue	123 170 642	9	123 170 651	-	-	123 170 651	108 452 365	-11.95%
Service Charges - Water Revenue	15 308 237	6 988 000	22 296 237	-	-	22 296 237	19 486 899	-12.60%
Service Charges - Sanitation Revenue	15 919 223	2	15 919 225	-	-	15 919 225	15 267 502	-4.09%
Service Charges - Refuse Revenue	16 257 957	2	16 257 959	-	-	16 257 959	15 353 223	-5.56%
Service Charges - Other Revenue	-	-	-	-	-	-	-	0.00%
Rental of Facilities and Equipment	1 512 527	825 003	2 337 530	-	-	2 337 530	2 290 411	-2.02%
Interest Earned - External Investments	1 632 150	1 900 000	3 532 150	-	-	3 532 150	3 311 815	-6.24%
Interest Earned - Outstanding Debtors	3 285 360	1 128 943	4 414 303	-	-	4 414 303	4 900 345	11.01%
Dividends Received	-	-	-	-	-	-	-	-
Fines	2 594 223	13 200 000	15 794 223	-	-	15 794 223	16 446 782	4.13%
Licences and Permits	1 126 499	2	1 126 501	-	-	1 126 501	1 010 375	-10.31%
Agency Services	3 233 758	300 000	3 533 758	-	-	3 533 758	3 368 514	-4.68%
Transfers and subsidies	64 089 480	4 386 305	68 475 785	-	-	68 475 785	64 101 543	-6.39%
Other Revenue	7 733 973	10 723 964	18 457 937	-	-	18 457 937	29 467 833	59.65%
Gains on Disposal of PPE	10 553 000	1	10 553 001	-	-	10 553 001	109 774	-98.96%
Total Revenue (excluding capital transfers and contributions)	313 520 478	39 452 237	352 972 715	-	-	352 972 715	326 792 794	-7.42%
EXPENDITURE								
Employee Related Costs	122 492 656	15 905 380	138 398 036	-	-	138 398 036	138 632 429	0.17%
Remuneration of Councillors	7 225 878	(290 873)	6 935 005	-	-	6 935 005	6 935 002	0.00%
Debt Impairment	13 478 000	4 322 000	17 800 000	-	-	17 800 000	18 293 389	2.77%
Depreciation and Asset Impairment	15 030 495	1 246 452	16 276 947	-	-	16 276 947	14 588 015	-10.38%
Finance Charges	10 099 272	(2 473 806)	7 625 466	-	-	7 625 466	8 231 262	7.94%
Bulk Purchases	94 443 187	(1)	94 443 186	-	-	94 443 186	94 144 671	-0.32%
Other Materials	11 701 833	1 395 713	13 097 546	-	-	13 097 546	9 839 306	0.00%
Contracted Services	10 785 857	6 522 838	17 308 695	-	-	17 308 695	9 642 766	-44.29%
Transfers and subsidies	1 511 494	25 199	1 536 693	-	-	1 536 693	1 249 219	-18.71%
Other Expenditure	26 539 106	12 869 205	39 408 311	-	-	39 408 311	27 682 772	-29.75%
Loss on Disposal of PPE	-	-	-	-	-	-	147 001	100.00%
Total Expenditure	313 307 778	39 522 107	352 829 885	-	-	352 829 885	329 385 831	-6.64%
Surplus/(Deficit)	212 700	(69 870)	142 830	-	-	142 830	(2 593 038)	-1915.47%
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	40 317 228	12 307 878	52 625 106	-	-	52 625 106	37 751 191	-28.26%
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	5 000 000	-	5 000 000	-	-	5 000 000	1 665 281	-66.69%
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	31 967 743	100.00%
Surplus/(Deficit) after Capital	45 529 928	12 238 008	57 767 936	-	-	57 767 936	68 791 177	19.08%
Taxation	-	-	-	-	-	-	-	-
Surplus/(Deficit) after Taxation	45 529 928	12 238 008	57 767 936	-	-	57 767 936	68 791 177	19.08%
Attributable to Minorities	-	-	-	-	-	-	-	-
Surplus/(Deficit) Attributable to Municipality	45 529 928	12 238 008	57 767 936	-	-	57 767 936	68 791 177	19.08%
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	45 529 928	12 238 008	57 767 936	-	-	57 767 936	68 791 177	19.08%

EXPLANATORY NOTES ON ALL MATERIAL VARIANCES LARGER THAN 10% PRESENTED IN NOTE 53

MATZIKAMA MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by- law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	2019 R	%
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Taxation	44 012 027	(512 562)	43 499 464	-	-	43 499 464	43 452 431	-0.11%
Service Charges	159 455 820	4 596 311	164 052 131	-	-	164 052 131	162 136 998	-1.17%
Other Revenue	18 393 101	1 054 487	19 447 588	-	-	19 447 588	5 613 464	-71.14%
Government - Operating	64 089 480	2 768 928	66 858 408	-	-	66 858 408	64 709 264	-3.21%
Government - Capital	40 317 228	(1 823 636)	38 493 592	-	-	38 493 592	38 823 591	0.86%
Interest	4 917 510	2 691 195	7 608 705	-	-	7 608 705	8 212 160	7.93%
Dividends	-	-	-	-	-	-	-	-
Payments								
Suppliers and Employees	(269 219 408)	(30 686 950)	(299 906 357)	-	-	(299 906 357)	(282 878 278)	-5.68%
Finance costs	(3 158 669)	1 385 549	(1 773 120)	-	-	(1 773 120)	(5 591 908)	215.37%
Transfers and Grants	(1 511 494)	(25 199)	(1 536 693)	-	-	(1 536 693)	(1 249 219)	-18.71%
Net Cash from/(used) Operating Activities	57 295 595	(20 551 877)	36 743 718	-	-	36 743 718	33 228 504	-9.57%
CASH FLOW FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	10 553 000	-	10 553 000	-	-	10 553 000	183 774	-98.26%
Decrease/(Increase) in Non-Current Debtors	-	-	-	-	-	-	(1 327 660)	100.00%
Decrease/(Increase) in Other Non-Current Receivables	-	-	-	-	-	-	-	-
Decrease/(Increase) in Non-Current Investments	-	-	-	-	-	-	-	-
Payments								
Capital Assets	(59 862 228)	(13 408 545)	(73 270 773)	-	-	(73 270 773)	(47 719 340)	-34.87%
Net Cash from/(used) Investing Activities	(49 309 228)	(13 408 545)	(62 717 773)	-	-	(62 717 773)	(48 863 226)	-22.09%
CASH FLOW FROM FINANCING ACTIVITIES								
Receipts								
Short Term Loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	10 000 000	-	10 000 000	-	-	10 000 000	10 000 000	0.00%
Increase/(Decrease) in Consumer Deposits	(4 451 963)	4 302 220	(149 743)	-	-	(149 743)	(4 731 743)	3059.91%
Payments								
Repayment of Borrowing	(5 351 586)	(383 931)	(5 735 517)	-	-	(5 735 517)	(4 661 598)	-18.72%
Net Cash from/(used) Financing Activities	196 451	3 918 289	4 114 740	-	-	4 114 740	606 659	-85.26%
NET INCREASE/(DECREASE) IN CASH HELD	8 182 818	(30 042 133)	(21 859 315)	-	-	(21 859 315)	(15 028 063)	-31.25%
Cash and Cash Equivalents at the year begin:	19 685 937	3 534 358	46 452 616	-	-	46 452 616	46 452 617	0.00%
Cash and Cash Equivalents at the year end:	27 868 755	(26 507 775)	24 593 301	-	-	24 593 301	31 424 554	27.78%

EXPLANATORY NOTES ON ALL MATERIAL VARIANCES LARGER THAN 10% PRESENTED IN NOTE 53

MATZIKAMA MUNICIPALITY

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised-April 2018) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

1.2 PRESENTATION CURRENCY

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.3 GOING CONCERN ASSUMPTION

These financial statements have been prepared on the going concern basis.

1.4 COMPARATIVE INFORMATION

1.4.1 Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as practicable and the prior year comparative figures are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as practicable and the prior year comparatives are restated accordingly.

1.4.2 Amended accounting policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the annual financial statements.

No significant amendments were made to the accounting policies in the current year.

1.5 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision of assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. The materiality is from management's perspective and does not necessarily correlate with the auditor's materiality. For the purposes of explaining variances on the face of the financial statements the figure of 10% is utilised by management and deemed appropriate.

1.6 PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following

- the approved and final budget amounts for the 2018/19 financial year
- the actual amounts and final budget amounts for the 2018/19 financial year

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements. Variances larger than 10% are seen as material, and explanations provided.

Explanations for differences between the final budget amounts and the actual amounts are included in the Notes to the Financial Statements. Variances larger than 10% are seen as material and explanations are provided.

MATZIKAMA MUNICIPALITY

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance. The following GRAP standards and interpretation of Standards of GRAP have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 20 (Original - June 2011)	<u>Related Party Disclosure</u> The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The Municipality resolved to adopt some of the disclosure requirements as per GRAP 20. Additional disclosure will be required with the full implementation of the Standard.	01-Apr-19
GRAP 32 (Revised April 2019)	<u>Service Concession Arrangements: Grantor</u> The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity. No significant impact is expected as no such transactions or events are expected in the foreseeable future.	01-Apr-19
GRAP 34 (Revised April 2019)	<u>Separate Financial Statements</u> The objective of this Standard is to prescribe the accounting and disclosure requirements in controlled entities, joint ventures and associates when an entity prepares separate financial statements. No significant impact expected as no such transactions or events are expected in the foreseeable future.	Unknown
GRAP 35 (Revised April 2019)	<u>Consolidated Financial Statements</u> The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. No significant impact expected as no such transactions or events are expected in the foreseeable future.	Unknown
GRAP 36 (Revised April 2019)	<u>Investments in Associates and Joint Ventures</u> The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. No significant impact expected as no such transactions or events are expected in the foreseeable future.	Unknown
GRAP 37 (Revised April 2019)	<u>Joint Arrangements</u> The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements). No significant impact expected as no such transactions or events are expected in the foreseeable future.	Unknown
GRAP 38 (Revised April 2019)	<u>Disclosure of Interest in Other Entities</u> The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate: (a) the nature of, and risks associated with, its interest in controlled entities unconsolidated controlled entities, joint arrangements and associates, and structure entities that are not consolidated; and (b) the effects of those interests on its financial position, financial performance and cash flows. No significant impact expected as no such transactions or events are expected in the foreseeable future.	Unknown
GRAP 104 (Revised April 2019)	<u>Financial Instruments</u> The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. Movement from the incurred credit loss model to the expected credit loss model could potentially impact the provision for bad debts.	Unknown
GRAP 108 (Revised April 2019)	<u>Statutory Receivables</u> The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.	01-Apr-19
GRAP 109 (Revised April 2019)	<u>Accounting by Principles and Agents</u> The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	01-Apr-19
GRAP 110 (Revised April 2019)	<u>Living and non-living resources</u> The objective of this Standard is to prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	01-Apr-20
IGRAP 1	<u>Applying the Probability Test on Initial Recognition of Revenue</u> The Interpretation provide guidance on the assessment of the collectability and future economic benefits or service potential on initial recognition of revenue. No significant impact is expected in the foreseeable future.	01-Apr-20
IGRAP 17	<u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u> The Interpretation provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. No significant impact is expected as no such transactions or events are expected in the foreseeable future.	01-Apr-19
IGRAP 18	<u>Recognition and De-recognition of Land</u> The Interpretation provide guidance on when an entity should recognise and derecognise land as an asset in its financial statements. No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.	01-Apr-19
IGRAP 19	<u>Liabilities to Pay Levies</u> The Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19. No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.	01-Apr-19
IGRAP 20	<u>Accounting for Adjustments to Revenue</u> The Interpretation provides clarifies the accounting for adjustments to revenue. No significant impact is expected.	01-Apr-20

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.8 RESERVES

1.8.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized. The transfer represents the amount budgeted for capital expenditure that will be funded by own income. Refer to note 39.3 for amount of R3 405 931 cash reserved for the CRR.

1.9 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.9.1 Municipality as Lessee

Operating Leases

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

1.9.2 Municipality as Lessor

Operating leases are those leases that do not fall within the scope of a finance lease. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset or a liability depending on the actual payments made.. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

Operating Leases

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset or a liability depending on the actual payments made.

1.10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable. Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this liability:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash is invested as an individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of creditors. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.11 UNPAID CONDITIONAL GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public. Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.12 PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation (net of recoveries) under an onerous contract shall be recognised and measured as a provision.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.13 EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.13.1 Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.13.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries. The projected credit unit method is used to value the liability.

1.13.3 Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee. Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

1.13.4 Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.13.5 Pension and Retirement Fund Obligations

The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued from time to time on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

1.13.6 Other Short-Term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset

1.14 BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.15 PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.15.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land (excluding Landfill sites) is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

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ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives and residual values are assessed at each reporting date whether there is any indication that the Municipality's expectations about the residual value and useful life of an asset have changed since the preceding reporting date. If any such indication exists, the Municipality shall revise the expected useful life and/ or residual value accordingly on the prospective basis. The annual depreciation rates are based on the following estimated average asset lives:

	Years		Years
Infrastructure		Other	
Storm water, Roads and Paving	15-100	Vehicles	6-24
Electricity	5-80	Furniture and Office Equipment	6-22
Water	15-100	Plant and Equipment	6-34
Sewerage	10-100	Computer Equipment	5-17
Solid Waste Disposal	10-100		
Landfill Sites	13-38	Land and Buildings	
		Land	Infinite
Community		Buildings	10-100
Buildings	10-100		
Recreational Facilities	15-100		
Libraries	15-100		
Taxi Ranks and Parking Areas	15-100		
Parks and gardens	49-100		
Cemeteries	10 - 100		

1.15.4 Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16 INTANGIBLE ASSETS

1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licenced, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights or obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.16.2 Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on the prospective basis. The annual amortisation rates are based on the following estimated average asset lives:

Intangible Assets	Years
Computer Software	15
Rights (Servitudes)	Indefinite

1.16.4 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.17 INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property is recognised as an asset when, and only when it is probable that future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality account for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.17.3 Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18 IMPAIRMENT OF NON-FINANCIAL ASSETS

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash generating assets, are as follows: (i) None of the assets are managed with the objective of generating positive cash flows are expected to be significantly higher than the cost of the asset; and (ii) although certain services assets generate positive cash flows, these are used for cross subsidisation of services assets that generate negative cash flows. At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash generating. The designation is made on the basis of a municipality's objective of using the asset. The municipality designates an asset or a cash-generating unit as cash-generating when its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset. The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services. An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return.

1.18.1 Cash Generating Assets

Cash-generating assets are assets held with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset. The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount. In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information

Evidence is available of obsolescence or physical damage of an asset.

Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The redesignation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash generating assets to a cash generating asset shall only occur when there is clear evidence that such redesignation is appropriate. A redesignation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal for an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Market prices and Market transactions less cost of disposal are used in determining fair value less costs to sell. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the nature of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.18.2 Non-Cash Generating Assets

Non-cash generating assets are assets other than cash-generating assets. The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or with annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount. In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

External sources of information

Cessation, or near cessation, of the demand or need for services provided by the asset.

Significant long term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

Internal sources of information

Evidence is available of physical damage of an asset

Significant long term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the extent to which, an asset is used or expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.

A decision to halt the construction of the asset before it is complete.

Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss and is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

Depreciation replacement cost approach

The present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Restoration cost approach

The cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service unit approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.19 INVENTORIES

1.19.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.19.2 Subsequent Measurement

Inventories, consisting of consumable stores, water at purification cost and graves are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the first-in-first-out method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale (graves) is assigned by using specific identification of their individual costs.

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.20 FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include non-statutory receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

1.20.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.20.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance.

Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.20.3 De-recognition of Financial Instruments

Financial Assets

The municipality derecognises financial assets using trade date accounting. The municipality derecognises a financial asset only when:

- *the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- *the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

*the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality: derecognise the asset; and recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair value at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial Liabilities

The Municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.20.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.21 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions. The municipality have the following statutory receivables; Property Rates, Fines and Taxes (VAT receivable). Disclosure about statutory receivables is stated in note 16 and note 47.

1.21.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset. The receivables are created by levying property rates to the value of properties in the Matzikama municipal area in terms of the Property Rates Act.

1.21.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount.

The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.21.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or valid or are waived;
- (b) the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case the Municipality (i) derecognise the receivable; and (ii) recognise separately any rights and obligations created or retained in the transfer.

1.22 REVENUE

1.22.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against related revenue as there is no intention of collecting this revenue.

Penalty interest on unpaid rates shall be recognised using the effective interest rate method as set out in GRAP 104

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality.

Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof is virtually certain. Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.22.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units. The pre-paid electricity sold, but not consumed yet at year-end is disclosed under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services and revenue is recognised when the service is provided.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- the prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.23 RELATED PARTIES

The Municipality regards a related party as a person or entity with the ability to control the Municipality either individually or jointly, or the ability to exercise significant influence over the Municipality, or vice versa.

Management is regarded as a related party and comprises the Executive Mayor, Deputy Mayor, Speaker, Mayoral Committee, Part-time Councillors, the Municipal Manager and the directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

A close family member of management is also considered to be a related party. A person is considered to be a close family member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.24 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means, overspending of a vote or a main division within a vote; and expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.25 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity

A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability. The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote.

A contingent asset is disclosed where the inflow of economic benefits or service potential is probable. Contingent assets usually arise from unplanned or other unexpected events that are not wholly within the control of the entity and give rise to the possibility of an inflow of economic benefits or service potential to the entity. Management judgement is required when recognising and measuring contingent assets and liabilities.

1.28 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.28.1 Post-retirement Medical Obligations and Long Service Awards

The cost of post retirement medical obligations, long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.28.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.28.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding the useful lives and residual values of property, plant and equipment.

- the useful life of movable assets was determined using the age of similar assets available for sale in active markets. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government industry guides were used to assist with deemed cost and useful lives for infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful lives of buildings. The Municipality also consulted with engineers to support the useful lives of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets. The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature currently in other municipalities' asset registers, provided that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.28.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. Management referred to the following when making assumptions regarding useful lives of intangible assets:

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful lives.

1.28.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful lives of buildings.
- The Municipality also consulted with engineers and valuers to support the useful lives of buildings.

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.28.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.28.7 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.28.8 Provision for Staff Leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.28.9 Revenue Recognition

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.28.10 Prepaid Electricity Estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using 5 days' worth of unused electricity.

1.29 TAXES - VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.30 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.31 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
2 NET ASSET RESERVES		
Capital Replacement Reserve	3 405 000	4 545 000
Total Net Asset Reserves	<u>3 405 000</u>	<u>4 545 000</u>

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilised. The transfer represents the amount budgeted for capital expenditure that will be funded out of own income.

3 LONG-TERM BORROWINGS		
Annuity loans at amortised cost	29 367 266	24 028 864
Current Portion transferred to Current Liabilities	(6 754 834)	(4 962 463)
Total Long-Term Liabilities at amortised cost using the effective interest rate method	<u>22 612 432</u>	<u>19 066 401</u>

3.1 The obligations under the annuity loans are scheduled as follows:

Payable within one year	9 387 791	6 486 503
Payable within two to five years	20 887 328	16 496 403
Payable after five years	10 028 181	11 701 045
	<u>40 303 300</u>	<u>34 683 951</u>
Less: Future finance obligations	(10 936 008)	(10 655 087)
Present value of annuity obligations	<u>29 367 292</u>	<u>24 028 864</u>

Annuity loans at amortised cost is calculated at an interest rate of 5.7% and 11.14%, with the first maturity date of 2 July 2020 and the last maturity date of 30 June 2027.
A new loan amounting to R10 million was raised during March 2019 at an interest rate of 10.08%.

4 NON-CURRENT PROVISIONS		
Landfill Sites	65 592 884	62 314 975
Employee Benefits	34 417 377	32 535 776
Total Non-Current Provisions	<u>100 010 261</u>	<u>94 850 751</u>

4.1 Landfill Sites

Balance 1 July	62 314 975	57 801 084
Additions	638 556	1 874 593
Interest cost	2 639 353	2 639 298
Total provision 30 JUNE 2019	<u>65 592 884</u>	<u>62 314 975</u>
Less: Transfer of Current portion to Current Provisions	-	-
Balance 30 JUNE 2019	<u>65 592 884</u>	<u>62 314 975</u>

The actual costs are determined by calculating the volumes of excavations, materials required and legal requirements according to the footprint of each individual site. For a new estimate the rates used for each item of work is based on current rates for similar activities. If a previous estimate was done for a specific site then the previous year's figures are escalated using the Consumer Price Index. The individual rates are then again cross-checked to determine if they are still in line with current rates for similar activities and adjusted accordingly.

The estimated rehabilitation cost for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Klawer	Vanrhynsdorp	Vredendal	Lutzville	Strandfontein	Doringbaai
Rehabilitation Area(m2)	11 594	25 641	50 387	37 327	7 716	10 673
Preliminary and General (R)	435 603	1 367 617	975 567	802 227	230 126	278 445
Site Clearance (R)	35 710	78 974	155 192	114 967	23 765	32 873
Storm Water Control (R)	1 122 245	1 514 257	2 083 799	2 201 466	848 093	845 189
Capping (R)	851 301	7 836 175	3 699 716	2 740 772	566 555	783 676
Leachate Management (R)	245 414	328 956	458 702	662 656	195 009	316 821
Fencing (R)	856 783	10 333	570 926	10 333	10 333	10 333
Other (R)	384 296	810 034	524 372	931 117	486 442	353 060
Contingencies (R)	354 706	1 113 631	794 390	653 242	187 388	226 734
Engineering (R)	292 632	918 746	655 372	538 925	154 595	187 055
Site Supervision (R)	366 454	791 754	628 796	579 514	397 069	399 439
Total (Excl VAT) (R)	<u>4 945 144</u>	<u>14 770 477</u>	<u>10 546 831</u>	<u>9 235 219</u>	<u>3 099 375</u>	<u>3 433 624</u>
Rehab cost (R) /m2	427	576	209	247	402	322
Estimated construction period(weeks)	12	16	20	18	12	12

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Bitterfontein	Kliprand	Rietpoort	Nuwerus	Ebenhaeser	Koekenaap
Rehabilitation Area(m2)	4 658	1 818	796	3 276	3 918	5 044
Preliminary and General (R)	323 328	167 541	107 590	148 929	241 744	489 657
Site Clearance (R)	14 347	5 599	2 452	10 090	12 067	15 536
Storm Water Control (R)	683 442	524 132	318 432	608 623	761 881	972 497
Capping (R)	1 436 226	540 993	58 447	291 526	307 431	1 549 333
Leachate Management (R)	165 139	115 668	88 598	143 204	150 205	223 945
Fencing (R)	10 333	10 333	300 567	10 333	495 157	736 241
Other (R)	434 041	446 109	504 508	497 474	359 872	359 576
Contingencies (R)	263 282	136 427	87 609	121 270	196 848	398 721
Engineering (R)	217 207	112 552	72 277	100 048	162 400	328 945
Site Supervision (R)	629 537	556 526	337 512	285 644	407 605	504 660
Total (Excl VAT) (R)	4 176 882	2 615 880	1 877 992	2 217 141	3 095 210	5 579 111
Rehab cost (R)/m2	897	1 439	2 359	677	780	1 106
Estimated construction period(weeks)	12	8	9	8	8	10

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

Location	Date	2019 R	2018 R
Klawer	30/03/2024	4 945 144	4 779 174
Vanrhynsdorp	30/06/2024	14 770 477	13 569 430
Vredendal	31/03/2024	10 546 831	10 103 729
Lutzville	21/04/2024	9 235 219	8 454 219
Strandfontein	26/05/2024	3 099 375	3 009 755
Doringbaai	31/03/2024	3 433 624	3 370 346
Bitterfontein	27/05/2024	4 176 882	4 034 480
Kliprand	27/08/2024	2 615 880	2 688 137
Rietpoort	21/04/2024	1 877 992	1 758 857
Nuwerus	19/06/2024	2 217 141	2 111 317
Ebenhaeser	19/05/2024	3 095 210	3 087 083
Koekenaap	07/11/2024	5 579 111	5 348 448
		65 592 886	62 314 975

4.2 Employee Benefits

Post Retirement Benefits - note 4.2.1	28 779 355	27 143 107
Long Service Awards - note 4.2.2	5 638 022	5 392 669
Total Non-current Employee Benefit Liabilities	34 417 377	32 535 776
Balance 1 July	34 368 577	32 305 343
Current Service Cost	1 647 867	1 654 387
Interest Cost	3 122 710	2 954 388
Contributions (Benefits paid/ Vesting)	(1 921 571)	(1 590 608)
Actuarial Loss / (Gain)	(601 061)	(954 933)
Total employee benefits 30 June	36 616 522	34 368 577
Less: Transfer of Current Provision - note 6	(2 199 145)	(1 832 801)
Balance 30 June	34 417 377	32 535 776

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 647 867	1 654 387
Interest Cost - note 33	3 122 710	2 954 388
Actuarial (gains)/losses	(601 061)	(954 933)
Total expenditure recognised in the Statement of Financial Performance	4 169 516	3 653 842

4.2.1 Post Retirement Benefits

Balance 1 July	28 536 628	27 087 934
Current Service Cost	1 117 647	1 174 412
Interest Cost	2 632 354	2 520 238
Contributions (Benefits paid)	(1 416 006)	(1 212 083)
Actuarial Gain	(551 200)	(1 033 873)
Total post retirement benefits 30 June	30 319 423	28 536 628
Less: Transfer of Current Provision - note 6	(1 540 068)	(1 393 521)
Balance 30 June	28 779 355	27 143 107

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
The Post Retirement Benefit Plan is a defined benefit plan of which the members are made up as follows:		
In-service (employee) members	115	113
In-service (employee) non-members	125	60
Continuation members (e.g. Retirees, widows, orphans)	36	33
Total Members	276	206

	2019 R	2018 R	2017 R	2016 R	2015 R
The liability in respect of past service has been estimated to be as follows:					
In-service members	10 662 586	10 530 407	10 844 723	11 423 790	9 216 529
In-service non-members	1 619 492	2 122 331	1 963 351	1 770 364	2 482 585
Continuation members	18 037 345	15 883 890	14 279 860	13 521 863	13 148 779
Total Liability	30 319 423	28 536 628	27 087 934	26 716 017	24 847 893

History of experience adjustments were calculated as follows:
Liabilities: (Gain)/ Loss

652 000	754 000	833 000	64 000	1 838 000
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The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes:
Bonitas, LA Health, Samwumed, Keyhealth and Hosmed

Key actuarial assumptions used:

	2019	2018
i Rate of interest		
Discount rate	9.22%	9.45%
Health Care Cost Inflation Rate	6.73%	7.31%
Effective discount rate	2.33%	1.99%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii Mortality rates

Mortality during employment - SA 85-90
Mortality post-retirement - PA90-1

iii Normal retirement age

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill-health retirement.

iv Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

v Expected rate of salary increases

2019/2020 - average CPI (Feb 2019 – Jan 2020) + 1.5 per cent
2020/2021 - average CPI (Feb 2020 – Jan 2021) + 1.5 per cent

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	30 319 423	28 536 628
Total Liability	30 319 423	28 536 628

The Fund is wholly unfunded. The Municipality recognises the full increase in this defined benefit liability immediately as per GRAP 25, Employee Benefits.

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost - note 27	1 117 647	1 174 412
Interest Cost	2 632 354	2 520 238
Actuarial Gains	(551 200)	(1 033 873)
Total expenditure recognised in the Statement of Financial Performance	3 198 801	2 660 777

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	28 536 628	27 087 934
Total expenses	2 333 995	2 482 567
Current service cost	1 117 647	1 174 412
Interest Cost	2 632 354	2 520 238
Contributions (Benefits Paid)	(1 416 006)	(1 212 083)
Actuarial Gains	(551 200)	(1 033 873)
Present value of fund obligation at the end of the year	30 319 423	28 536 628
Less: Transfer of Current Portion - note 6	(1 540 068)	(1 393 521)
Balance 30 June	28 779 355	27 143 107

Contributions or benefits paid refer to medical scheme contributions made by the Municipality with respect to its subsidy of current continuation members.

Sensitivity Analysis on the Accrued Liability

			In-service members liability	Continuation members liability	Total Liability
			R	R	R
Central Assumptions			12 282 078	18 037 345	30 319 423
The effect of movements in the assumptions are as follows:					
	Change	In-service members liability	Continuation members liability	Total Liability	Change
		R	R	R	%
Health care inflation	+1%	15 118 000	19 776 000	34 894 000	15%
Health care inflation	-1%	10 079 000	16 528 000	26 607 000	(12%)
Discount rate	+1%	10 141 000	16 573 000	26 714 000	(12%)
Discount rate	-1%	15 074 000	19 750 000	34 824 000	15%
Post-retirement mortality	-1 year	12 642 000	18 740 000	31 382 000	4%
Average retirement age	-1 year	13 384 000	18 037 000	31 421 000	4%
Continuation of membership at retirement	-10%	9 897 000	18 037 000	27 934 000	(8%)

Sensitivity Analysis on the Current-Service and Interest Cost

Assumption	Change	Current Service Cost R	Interest Cost R	Total R	Change %
Central Assumptions		1 117 600	2 632 400	3 750 000	
Health care inflation	+1%	1 408 800	3 040 300	4 449 100	19%
Health care inflation	-1%	894 200	2 300 400	3 194 600	(15%)
Discount rate	+1%	907 900	2 553 200	3 461 100	(8%)
Discount rate	-1%	1 392 500	2 714 500	4 107 000	10%
Post-retirement mortality	-1 year	1 154 700	2 731 900	3 886 600	4%
Average retirement age	-1 year	1 205 800	2 739 600	3 945 400	5%
Continuation of membership at retirement	-10%	979 300	2 479 500	3 458 800	(8%)

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

History of Liabilities

	2019 R	2018 R	2017 R	2016 R	2015 R
Accrued Liability	30 319 423	28 536 628	27 087 934	26 716 017	24 847 893
Surplus	30 319 423	28 536 628	27 087 934	26 716 017	24 847 893

Best estimate of benefit payments expected in the next annual period

	2020 R	2021 R
Present value of fund obligation at the beginning of the year	28 536 628	30 319 423
Total expenses	2 333 995	2 464 207
Current service cost	1 117 647	1 278 256
Interest Cost	2 632 354	2 726 019
Benefits Paid	(1 416 006)	(1 540 068)
Actuarial gain	(551 200)	-
Present value of fund obligation at the end of the year	<u>30 319 423</u>	<u>32 783 630</u>

4.2.2 Long Service Awards

	2019 R	2018 R
Balance 1 July	5 831 949	5 217 409
Current Service Cost	530 220	479 975
Interest Cost	490 356	434 150
Benefits Vesting	(505 565)	(378 525)
Actuarial Loss / (Gain)	(49 861)	78 940
Total long service awards 30 June	6 297 099	5 831 949
Less: Transfer of Current Provision - note 6	(659 077)	(439 280)
Balance 30 June	5 638 022	5 392 669

The Long Service Awards plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Awards.

Key actuarial assumptions used:

	2019	2018
i Rate of interest	%	%
Discount rate	8.30%	8.73%
General Salary Inflation (long term)	5.64%	6.29%
Net Discount Rate applied to salary-related Long Service Awards	2.52%	2.30%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

ii Mortality rates

Mortality during employment - SA 85-90

iii Average retirement age

62

	2019 R	2018 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	6 297 099	5 831 949
Total Liability	6 297 099	5 831 949

The fund is wholly unfunded.

The amounts recognised in the Statement of Financial Performance are as follows:

	2019	2018
Current service cost - note 27	530 220	479 975
Interest Cost	490 356	434 150
Actuarial (gains)/losses	(49 861)	78 940
Total expenditure recognised in the Statement of Financial Performance	970 715	993 065

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The liability of periods commencing prior to the comparative year has been estimated as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Liabilities	6 297 099	5 831 949	5 217 409	5 446 409	4 695 433

History of experience adjustments were calculated as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Liabilities: (Gain) / Loss	931 503	195 916	(468 372)	248 501	(72 616)

The first actuarial valuation was performed on 30 June 2013. Thus there are no experience adjustment figures available before 30 June 2013.

	2019 R	2018 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	5 831 949	5 217 409
Total expenses	515 011	535 600
Current service cost	530 220	479 975
Interest Cost	490 356	434 150
Benefits Vesting	(505 565)	(378 525)
Actuarial (gains)/losses	(49 861)	78 940
Present value of fund obligation at the end of the year	6 297 099	5 831 949
Less: Transfer of Current Portion - note 6	(659 077)	(439 280)
Balance 30 June	5 638 022	5 392 669

Sensitivity Analysis on the Accrued Liability

Assumption	Change	Total Liability R	Change %
Central Assumptions		6 297 099	
Health care inflation	+1%	6 772 000	8%
Health care inflation	-1%	5 871 000	-7%
Discount rate	+1%	5 859 000	-7%
Discount rate	-1%	6 795 000	8%
Post-retirement mortality	-2 years	5 446 000	-14%
Average retirement age	+2 years	7 180 000	14%
Continuation of membership at retirement	-50%	7 305 000	16%

Sensitivity Analysis on the Current-Service and Interest Cost

Assumption	Change	Current Service Cost R	Interest Cost R	Total R	Change %
Central Assumptions		530 200	490 400	1 020 600	
Health care inflation	+1%	580 000	530 300	1 110 300	9%
Health care inflation	-1%	486 400	454 700	941 100	-8%
Discount rate	+1%	489 900	505 600	995 500	-2%
Discount rate	-1%	576 700	471 200	1 047 900	3%
Post-retirement mortality	-2 years	481 600	440 100	921 700	-10%
Average retirement age	+2 years	581 000	543 600	1 124 600	10%
Continuation of membership at retirement	-50%	677 900	582 800	1 260 700	24%

History of Liabilities	2019 R	2018 R	2017 R	2016 R	2015 R
Accrued Liability	6 297 099	5 831 949	5 217 409	5 446 453	4 695 477
Surplus	6 297 099	5 831 949	5 217 409	5 446 453	4 695 477

Best estimate of benefit payments expected in the next annual period

	2020 R	2021 R
Present value of fund obligation at the beginning of the year	5 831 949	6 297 099
Total expenses	465 150	463 611
Current service cost	530 220	626 835
Interest Cost	490 356	495 853
Benefits Vesting	(505 565)	(659 077)
Actuarial gain	(49 861)	-
Present value of fund obligation at the end of the year	6 297 099	6 760 710

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
4.2.3 Retirement Funds		
<p>The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined by GRAP 25.</p> <p>As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.</p> <p>Therefore, although the Cape Joint Pension Fund and Cape Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.</p>		
Cape Joint Pension Fund		
<p>The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a funding level of 101.7% (30 June 2013 - 99.2%)</p>		
	2019 R	Restated 2018 R
Contributions paid recognised in the Statement of Financial Performance	33 450	31 262
Cape Retirement Fund		
<p>The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in sound financial position with a funding level of 153.1% (30 June 2015 - 153.1%).</p>		
Contributions paid recognised in the Statement of Financial Performance	12 786 803	10 239 803
Defined Contribution Funds		
<p>Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.</p>		
Contributions paid recognised in the Statement of Financial Performance	993 997	948 929
5 CONSUMER DEPOSITS		
Water and Electricity	-	4 731 743
Total Consumer Deposits	-	4 731 743
<p>Consumer deposits for water and electricity were repaid during the 2018/19 financial year.</p>		
6 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - note 4.2.1	1 540 068	1 393 521
Current Portion of Long-Service Provisions - note 4.2.2	659 077	439 280
Staff Leave	7 995 033	6 560 597
Staff Bonuses	3 764 438	2 870 725
Pension	33 979	33 979
Total Current Employee Benefits	13 992 595	11 298 102
<p>The movement in current employee benefits are reconciled as follows:</p>		
6.1 Staff Leave		
Balance at beginning of year	6 560 597	5 595 781
Contribution to current portion	2 616 913	1 776 746
Expenditure incurred	(1 182 478)	(811 930)
Balance at end of year	7 995 032	6 560 597
<p>Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. The provision will be realised as employees take leave. There is no possibility of reimbursement.</p>		
6.2 Bonuses Accrued		
Balance at beginning of year	2 870 725	2 611 332
Contribution to current portion	6 819 011	5 950 770
Expenditure incurred	(5 925 298)	(5 691 377)
Balance at end of year	3 764 438	2 870 725
<p>Bonuses are being paid to all municipal staff. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.</p>		

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
6.3 Pension		
Balance at beginning of year	33 979	33 979
Contribution to current portion	-	-
Expenditure incurred	-	-
Balance at end of year	<u>33 979</u>	<u>33 979</u>
Pension payments to staff who did not belong to a pension fund in 1994, according to a formula prescribed by a collective agreement. Payment of the amount will occur when the respective employees retire. There is no possibility of reimbursement.		
7 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	34 197 872	28 838 388
Sundry Creditors	2 707 763	2 736 312
Deposit investment property sales	256 862	249 421
Payments received in advance	4 891 456	3 155 794
Retentions	1 495 454	1 834 794
Total Trade Payables	<u>43 549 407</u>	<u>36 814 709</u>
Payables are recognised net of any discounts.		
Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary. All payables are unsecured.		
Sundry creditors include sundry deposits for halls, builders and housing deposits.		
The municipality is in a position to settle its financial obligations as and when they become due in the normal course of business		
8 UNSPENT TRANSFERS AND SUBSIDIES		
Unspent Provincial Government Grants	22 745 722	22 699 967
Unpaid National Government Grants	(30 915)	-
Total Unspent Transfers and Subsidies	<u>22 714 807</u>	<u>22 699 967</u>
Refer to note 20 for a detail reconciliation of grants.		
Unspent grants can mainly be ascribed to project work in progress at the end of relevant financial years.		
9 VALUE ADDED TAXATION		
9.1 VAT PAYABLE		
VAT Output charged on accounts in suspense	7 515 365	5 390 338
Less: VAT Output charged on payments received in advance in suspense	(829 113)	(142 261)
: Contribution to Provision for Doubtful Debts	(5 305 267)	(3 502 392)
VAT Payable to SARS	-	2 023 417
Total VAT Payable	<u>1 380 985</u>	<u>3 769 103</u>
9.2 VAT RECEIVABLE		
VAT Input in suspense	4 495 754	5 483 683
VAT receivable	2 571 740	-
Total VAT Receivable	<u>7 067 494</u>	<u>5 483 683</u>
9.3 Net VAT Receivable	<u>5 686 509</u>	<u>1 714 580</u>
VAT is payable on the receipt basis. VAT is paid over to SARS when payment is received from debtors.		

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

10 PROPERTY, PLANT AND EQUIPMENT

2019

	Cost				Accumulated Depreciation and Impairment					Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Impairments	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Land and Buildings	57 734 643	4 308 642	-	62 043 285	7 171 686	419 229	-	-	7 590 914	54 452 371
Land	15 009 582	3 162 500	-	18 172 082	-	-	-	-	-	18 172 082
Buildings	42 725 061	1 146 142	-	43 871 203	7 171 685	419 229	-	-	7 590 914	36 280 289
Infrastructure	497 084 267	65 111 430	-	562 195 697	95 408 102	10 196 531	-	-	105 604 633	456 591 064
Storm water & Roads	153 056 395	42 882 251	-	195 938 646	27 014 079	3 632 785	-	-	30 646 864	165 291 782
Sewerage	190 930 395	3 573 560	-	194 503 955	27 149 280	3 591 916	-	-	30 741 196	163 762 759
Electricity	50 445 237	3 143 027	-	53 588 264	19 474 392	1 366 231	-	-	20 840 623	32 747 641
Water	101 977 958	15 512 593	-	117 490 550	21 603 603	1 567 598	-	-	23 171 201	94 319 350
Solid Waste Disposal	674 281	-	-	674 281	166 747	38 001	-	-	204 748	469 533
Community Assets	101 492 005	2 523 798	-	104 015 802	6 313 248	757 118	-	-	7 070 366	96 945 437
Parks and Gardens	21 439 049	9 131	-	21 448 180	143 800	28 338	-	-	172 138	21 276 042
Libraries	2 453 906	577 215	-	3 031 121	320 213	70 816	-	-	391 029	2 640 091
Recreational Facilities	47 587 369	1 545 987	-	49 133 355	2 930 594	404 163	-	-	3 334 757	45 798 598
Ranks and Parkings	5 252 500	-	-	5 252 500	118 636	10 798	-	-	129 434	5 123 066
Cemeteries	685 000	-	-	685 000	2 310	210	-	-	2 520	682 480
Buildings	24 074 181	391 465	-	24 465 647	2 797 694	242 793	-	-	3 040 487	21 425 160
Other Assets	31 565 549	10 969 714	(236 419)	42 298 844	16 756 295	1 802 066	(89 419)	118 755	18 587 697	23 711 147
Furniture & Office Equipment	4 593 665	672 705	(29 772)	5 236 598	2 639 849	354 470	(25 763)	37 886	3 006 442	2 230 156
Vehicles	22 035 980	9 571 821	(12 436)	31 595 365	12 186 127	894 842	(12 193)	22 509	13 091 285	18 504 080
Plant & Equipment	3 271 223	271 407	(173 932)	3 368 698	1 597 930	297 604	(38 573)	33 411	1 890 372	1 478 326
Computer equipment	1 664 681	453 781	(20 279)	2 098 183	332 389	255 150	(12 890)	24 949	599 598	1 498 585
Landfill Sites	31 670 446	638 557	-	32 309 003	19 569 860	1 175 151	-	-	20 745 011	11 563 992
Total	719 546 910	83 552 141	(236 419)	802 862 632	145 219 190	14 350 095	(89 419)	118 755	159 598 620	643 264 012

Refer to Note 11, amount of R3 162 500 Land Additions are land transfer from Investment Property.

Refer to Note 11, amount of R64 000 Buildings Additions are buildings transfer from Investment Property.

2018 RESTATED

	Cost				Accumulated Depreciation and Impairment					Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Impairments	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Land and Buildings	57 012 006	722 637	-	57 734 643	6 765 118	406 567	-	-	7 171 686	50 562 957
Land	15 009 582	-	-	15 009 582	-	-	-	-	-	15 009 582
Buildings	42 002 424	722 637	-	42 725 061	6 765 118	406 567	-	-	7 171 686	35 553 375
Infrastructure	465 272 203	33 307 225	(1 495 162)	497 084 267	86 844 287	9 410 127	(846 313)	-	95 408 101	401 676 165
Storm water & Roads	137 282 477	17 269 080	(1 495 162)	153 056 395	24 475 244	3 385 149	(846 313)	-	27 014 079	126 042 316
Sewerage	188 467 628	2 462 768	-	190 930 395	23 729 445	3 419 835	-	-	27 149 280	163 781 115
Electricity	48 277 369	2 167 868	-	50 445 237	18 227 680	1 246 712	-	-	19 474 392	30 970 845
Water	90 570 448	11 407 510	-	101 977 958	20 283 202	1 320 401	-	-	21 603 603	80 374 355
Solid Waste Disposal	674 281	-	-	674 281	128 716	38 031	-	-	166 747	507 534
Community Assets	99 226 347	2 265 658	-	101 492 005	5 542 486	687 456	-	83 305	6 313 248	95 178 757
Parks and Gardens	21 439 049	-	-	21 439 049	112 955	30 845	-	-	143 800	21 295 249
Libraries	2 453 906	-	-	2 453 906	249 556	70 657	-	-	320 213	2 133 692
Recreational Facilities	45 321 711	2 265 658	-	47 587 369	2 599 665	331 039	-	-	2 930 704	44 656 665
Ranks and Parkings	5 252 500	-	-	5 252 500	107 829	10 805	-	-	118 634	5 133 866
Cemeteries	685 000	-	-	685 000	2 100	210	-	-	2 310	682 690
Buildings	24 074 181	-	-	24 074 181	2 470 382	243 899	-	83 305	2 797 586	21 276 595
Other Assets	29 523 828	2 042 520	(798)	31 565 550	15 488 050	1 268 883	(641)	-	16 756 293	14 809 257
Furniture & Office Equipment	3 998 974	595 489	(798)	4 593 665	2 396 453	244 036	(641)	-	2 639 848	1 953 817
Vehicles	22 013 080	22 900	-	22 035 980	11 488 310	697 816	-	-	12 186 126	9 849 854
Plant & Equipment	2 686 996	584 227	-	3 271 223	1 414 121	183 809	-	-	1 597 930	1 673 293
Computer equipment	824 778	839 904	-	1 664 682	189 166	143 222	-	-	332 388	1 332 294
Landfill Sites	29 795 854	1 874 593	-	31 670 446	17 451 247	2 057 435	-	61 179	19 569 860	12 100 586
Total	680 830 238	40 212 632	(1 495 960)	719 546 910	132 091 189	13 830 468	(846 954)	144 484	145 219 187	574 327 723

Refer to Note 40 for restated disclosures

The effect of the Change in Accounting estimates due to the review of useful lives and residual values is as follows:

	2018	2019
	R	R
Increase / (Decrease) in depreciation on Landfill sites for the year	(868 770)	(445 047)

During the year under review the municipality assessed the conditions of property, plant and equipment. The estimation of rehabilitation cost for the landfill sites and the remaining useful lives of landfill resulted in additional depreciation. The change in accounting estimate led to a net increase on property, plant and equipment to the amount of R445 047 (2018: R868 770). Refer to note 10. The estimation of rehabilitation cost for the landfill sites resulted in the provision being increased by R638 557 resulted in R638 557 increased assets.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
10.1 Property, plant and equipment in process of being constructed or developed		
Buildings	1 489 432	722 637
Storm water & Roads	4 390 469	376 569
Sewerage	285 799	108 985
Electricity	3 280 020	136 993
Water	9 399 883	59 077
Community Buildings	391 465	-
Parks and gardens	9 131	-
Recreational Facilities	995 936	-
	20 242 135	1 404 261
11 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	67 344 800	67 709 582
Fair Value Adjustments	23 838 200	353 218
Disposals - current year	(74 000)	(718 000)
Transfers to Property, plant and equipment	(3 226 500)	
Carrying amount at 30 June	87 882 500	67 344 800
Revenue derived from the rental of investment property	2 265 175	2 121 750
Operating expenditure incurred on properties generating revenue	8 875	9 376
Investment property amounting to R3 226 500 was transferred PPE (Land) due to its service delivery application by the municipality. There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality. There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements. The fair model is applied to Investment property. Revaluation of all Investment Property was performed by a Professional Valuer, SWK Valuers. Each property was identified and inspected and fair values adjusted where appropriate. Each of the three main methods (Compare sales method, Capitalization of income approach and Replacement cost minus depreciation valuation) of valuing property was adopted, depending on the specific property.		
12 INTANGIBLE ASSETS		
Computer Software and Rights		
Net Carrying amount at 1 July	610 882	212 200
Cost	997 224	547 669
Accumulated Amortisation	(386 342)	(335 469)
Additions	-	449 555
Amortisation	(119 165)	(50 874)
Net Carrying amount at 30 June	491 717	610 882
Cost	997 224	997 224
Accumulated Amortisation	(505 507)	(386 342)
Computer Software have a life span of 15 years and rights (servitudes) have an indefinite lifespan because there is no foreseeable limit to the period over which the servitudes are expected to generate net cash inflows or service potential for the municipality. The carrying value of Rights amount to R20 579 which equals the Fair Value. There are no internally generated intangible assets at reporting date. There are no intangible assets whose title is restricted. There are no intangible assets pledged as security for liabilities. There are no contractual commitments for the acquisition of intangible assets.		
13 LONG TERM RECEIVABLES		
Receivables from non-exchange transactions with repayment arrangements at amortised cost	2 049 060	721 399
Less: Provision for Debt Impairment	(1 024 530)	(360 699)
Less: Current portion transferred to current receivables	(768 397)	(240 466)
Total Long Term Receivables from non-exchange transactions	256 133	120 234
The provision for Debt Impairment could be allocated to the different classes of Long-Term Receivables as follows:		
Reconciliation of Provision for Debt Impairment		
Balance at beginning of year	360 699	325 242
Contribution to provision	663 831	35 457
Balance at end of year	1 024 530	360 699
Receivables subject to repayment arrangements are debtors which are repaying their outstanding consumers accounts over a period of more than 12 months. There are no standard repayment terms, therefore no age analysis is available for long term receivables.		
14 INVENTORY		
Consumable Stores - at cost	7 019	120 875
Water - at purification cost	442 313	470 435
Graves are carried at cost	17 440	103 509
Total Inventory	466 772	694 818
Inventories recognised as an expense during the year:		
Consumables	5 670 229	5 107 247
Water and Graves	4 341 935	3 421 950
Total Inventory recognised as an expense	10 012 164	8 529 196
No inventories were pledged as security for liabilities		

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
15 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service Receivables	67 419 974	59 470 266
Electricity	8 310 463	8 237 704
Water	10 434 073	6 999 391
Waste Management	11 430 683	10 599 536
Waste Water Management	10 480 618	9 946 161
VAT charged on Accounts	7 515 365	5 390 338
Interest	5 584 848	2 233 552
Other Arrears	13 663 924	16 063 585
Other Receivables		
Sundry Receivables	1 756 582	1 357 381
Total: Receivables from exchange transactions (before provision)	69 176 556	60 827 647
Less: Provision for doubtful debts	(43 555 229)	(40 371 776)
Total: Receivables from exchange transactions (after provision)	25 621 327	20 455 871
Consumer debtors are receivable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.		
Other arrears include accounts handed over for collection, pensioners medical aid receivables and other non-service charges.		
Electricity: Ageing		
Current (0 - 30 days)	5 092 137	5 165 597
31 - 60 Days	1 178 835	1 070 793
61 - 90 Days	271 529	438 236
+ 90 Days	1 767 962	1 563 079
Total	8 310 463	8 237 704
Water: Ageing		
Current (0 - 30 days)	1 761 664	822 673
31 - 60 Days	807 726	390 545
61 - 90 Days	691 978	396 584
+ 90 Days	7 172 705	5 389 589
Total	10 434 073	6 999 391
Waste Management: Ageing		
Current (0 - 30 days)	920 164	1 177 363
31 - 60 Days	641 262	662 866
61 - 90 Days	462 566	503 616
+ 90 Days	9 406 691	8 255 691
Total	11 430 683	10 599 536
Waste Water Management: Ageing		
Current (0 - 30 days)	801 448	1 140 405
31 - 60 Days	630 389	655 461
61 - 90 Days	482 479	527 329
+ 90 Days	8 566 302	7 622 967
Total	10 480 618	9 946 161
(VAT Charged on Accounts) : Ageing		
Current (0 - 30 days)	1 300 135	1 258 457
Past Due (31 - 60 Days)	494 970	428 875
Past Due (61 - 90 Days)	289 494	269 842
Past Due (90 Days +)	5 430 766	3 433 164
Total	7 515 365	5 390 338
(Interest) : Ageing		
Current (0 - 30 days)	423 374	400 141
Past Due (31 - 60 Days)	453 405	593
Past Due (61 - 90 Days)	414 347	7 508
Past Due (90 Days +)	4 293 722	1 825 311
Total	5 584 848	2 233 552
Other: Ageing		
Current (0 - 30 days)	245 834	222 378
31 - 60 Days	129 435	134 426
61 - 90 Days	67 390	113 726
+ 90 Days	13 221 265	15 593 055
Total	13 663 924	16 063 585

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Total: Ageing

Current (0 - 30 days)	10 544 756	10 187 013
31 - 60 Days	4 336 022	3 343 558
61 - 90 Days	2 679 783	2 256 840
+ 90 Days	49 859 413	43 682 855
Total	67 419 974	59 470 266

Service Receivables Balances past due not impaired: (Ageing)

31 - 60 Days	3 475 369	2 522 402
61 - 90 Days	2 098 923	1 709 281
+ 90 Days	1 563 283	1 600 757
Total	7 137 575	5 832 439

**Summary of Debtors by Customer Classification
30 JUNE 2019**

	Residential	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 - 30 days)	6 593 434	2 783 725	1 167 597
31 - 60 Days	3 657 586	573 446	104 990
61 - 90 Days	2 509 743	137 928	32 112
+ 90 Days	48 653 643	1 057 339	148 431
Sub-total	61 414 406	4 552 439	1 453 130
Less: Provision for doubtful debts	(42 401 479)	(988 710)	(165 041)
Total debtors by customer classification	19 012 927	3 563 729	1 288 089

**Summary of Debtors by Customer Classification
30 June 2018**

	Residential	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 - 30 days)	6 387 207	2 904 868	894 938
31 - 60 Days	2 534 541	748 741	60 276
61 - 90 Days	1 971 514	273 388	11 937
+ 90 Days	42 661 511	888 001	133 344
Sub-total	53 554 773	4 814 998	1 100 495
Less: Provision for doubtful debts	(39 028 078)	(1 098 339)	(204 851)
Total debtors by customer classification	14 526 695	3 716 659	895 644

	2019	2018
	R	R

Reconciliation of Provision for Debt Impairment

Balance at beginning of year	64 685 502	51 273 569
Contribution to provision - Exchange Transactions	8 177 589	5 956 365
Contribution to provision - Non Exchange Transactions	11 918 674	11 759 372
Bad debts written off	(4 500 127)	(4 303 804)
Balance at end of year	80 281 638	64 685 502
Receivables from Exchange Transactions	43 555 229	40 371 776
Receivables from Non-Exchange Transactions	35 701 880	23 953 026
Long term receivables	1 024 530	360 700
	80 281 638	64 685 502

16 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

		Restated
Taxes - Rates	13 074 665	13 301 683
Fines	30 656 619	18 696 139
Other Receivables	555 219	436 994
	44 286 503	32 434 816
Less: Provision for doubtful debts	(35 701 879)	(23 953 025)
Total Receivables from non-exchange transactions	8 584 624	8 481 791

Rates: Ageing

Current (0 - 30 days)	2 570 850	2 774 494
31 - 60 Days	837 533	953 054
61 - 90 Days	540 985	568 190
+ 90 Days	9 125 297	9 005 945
Total	13 074 665	13 301 683

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
Fines: Ageing		
Current (0 - 30 days)	924 250	1 520 157
31 - 60 Days	1 049 000	1 872 441
61 - 90 Days	804 250	1 324 475
+ 90 Days	27 879 119	13 979 066
Total	<u>30 656 619</u>	<u>18 696 139</u>

Fines ageing for 2017/2018 are not available due to change in system.

Rates Balances past due not impaired: (Ageing)		
31 - 60 Days	792 919	834 715
61 - 90 Days	512 559	503 004
+ 90 Days	380 581	380 957
Total	<u>1 686 059</u>	<u>1 718 676</u>

Summary of Debtors by Customer Classification 30 JUNE 2019

	Residential R	Industrial/ Commercial R	National and Provincial Government R
Current (0 - 30 days)	2 130 346	425 206	15 297
31 - 60 Days	760 123	67 313	10 096
61 - 90 Days	503 642	27 287	10 056
+ 90 Days	7 029 187	138 435	1 957 675
Sub-total	10 423 299	658 241	1 993 125
Less: Provision for doubtful debts	(6 848 866)	(139 450)	(1 949 708)
Total debtors by customer classification	<u>3 574 433</u>	<u>518 791</u>	<u>43 417</u>

Summary of Debtors by Customer Classification 30 June 2018

	Residential R	Industrial/ Commercial R	National and Provincial Government R
Current (0 - 30 days)	2 357 605	407 336	9 553
31 - 60 Days	852 341	83 661	17 052
61 - 90 Days	525 895	31 196	11 098
+ 90 Days	5 703 763	140 177	3 162 005
Sub-total	9 439 604	662 370	3 199 708
Less: Provision for doubtful debts	(5 787 075)	(181 069)	(3 157 646)
Total debtors by customer classification	<u>3 652 530</u>	<u>481 302</u>	<u>42 062</u>

17 OPERATING LEASE ASSET

	2019 R	2018 R
Balance on 1 July	87 564	81 591
Movement during the year	(1 384)	5 972
Current Portion transferred to Current Assets	(7 643)	(1 383)
Balance on 30 June	<u>78 537</u>	<u>86 180</u>

At the Statement of Financial Position date, where the Municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	103 872	107 585
1 to 5 Years	345 384	353 959
More than 5 Years	8 029	103 325
Total Operating Lease Arrangements	<u>457 285</u>	<u>564 869</u>

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The Municipality is leasing land and buildings to different rate payers for periods ranging from 36 to 120 months with escalations of between 3% and 10% per year.

The leases are in respect of land and buildings being leased out for previous ranging until 2024.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year.

18 CASH AND CASH EQUIVALENTS

Current Accounts	29 411 445	44 571 095
Call Investment deposits	2 007 489	1 875 902
Cash Floats	5 620	5 620
Total Cash and Cash Equivalents - Assets	<u>31 424 554</u>	<u>46 452 617</u>

Cash and cash equivalents comprise cash held and short term deposits.

There are restrictions on the cash and cash equivalent assets as the unspent conditional grants are cash backed.

The Municipality has the following bank accounts:

Current Accounts

ABSA Bank - Account Number 40-5057-5029	4 114 230	8 372 301
ABSA Bank - Account Number 40-7513-2844	11 151 686	19 075 881
ABSA Bank - Account Number 40-7512-9982	12 634 070	8 272 813
ABSA Bank - Account Number 40-7554-5657	4 738 879	3 596 664
ABSA Bank - Account Number 40-9041-7837	525 567	5 239 358
ABSA Bank - Account Number 40-9308-1405	-	14 079
	<u>33 164 432</u>	<u>44 571 095</u>

Call Deposits and Investments

Investec	<u>2 007 489</u>	<u>1 875 902</u>
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MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	R	R
Details of current accounts are as follow:		
ABSA Bank - Account Number 40-5057-5029		
Cash book balance at beginning of year	8 372 301	(8 955 608)
Cash book balance at end of year	<u>303 190</u>	<u>8 372 301</u>
Bank statement balance at beginning of year	8 137 316	6 079 890
Bank statement balance at end of year	<u>4 114 230</u>	<u>8 137 316</u>
ABSA Bank - Account Number 40-7513-2844		
Cash book balance at beginning of year	19 075 881	3 963 222
Cash book balance at end of year	<u>11 151 686</u>	<u>19 075 881</u>
Bank statement balance at beginning of year	19 075 881	3 963 222
Bank statement balance at end of year	<u>11 151 686</u>	<u>19 075 881</u>
ABSA Bank - Account Number 40-7512-9982		
Cash book balance at beginning of year	8 272 813	4 060 792
Cash book balance at end of year	<u>12 634 070</u>	<u>8 272 813</u>
Bank statement balance at beginning of year	8 272 813	4 060 792
Bank statement balance at end of year	<u>12 634 070</u>	<u>8 272 813</u>
ABSA Bank - Account Number 40-7554-5657		
Cash book balance at beginning of year	3 596 664	2 187 669
Cash book balance at end of year	<u>4 738 879</u>	<u>3 596 664</u>
Bank statement balance at beginning of year	3 596 664	2 187 669
Bank statement balance at end of year	<u>4 738 879</u>	<u>3 596 664</u>
ABSA Bank - Account Number 40-9041-7837		
Cash book balance at beginning of year	5 239 358	1 088 791
Cash book balance at end of year	<u>525 567</u>	<u>5 239 358</u>
Bank statement balance at beginning of year	5 239 358	2 188 405
Bank statement balance at end of year	<u>525 567</u>	<u>5 239 358</u>
ABSA Bank - Account Number 40-9308-1405		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>-</u>	<u>14 079</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>-</u>	<u>14 079</u>

19

PROPERTY RATES

Rateable Land and Buildings		
Business and Commercial Property	1 452 123	921 624
Industrial Property	1 992 364	1 825 948
Public Service Infrastructure Properties	145 683	145 499
Residential Properties	24 436 705	30 179 756
Small Holdings	125 917	118 365
State-owned Properties	5 281 762	5 043 250
Agricultural Properties	9 993 926	7 027 437
Total Assessment Rates	<u>43 428 480</u>	<u>45 261 879</u>
Less: Revenue Foregone	(203 068)	(535 172)
Total Property Rates	<u>43 225 412</u>	<u>44 726 706</u>

Valuations - 1 July 2016

	Building Clause	Building	Total
	Valuation	Valuation	Valuation
Rateable Land and Buildings			
Domestic	4 196 500	2 965 957 700	2 970 154 200
Business and Commercial Property	-	803 090 500	803 090 500
Church	-	-	-
Light Industrial	-	173 431 000	173 431 000
Agricultural/Rural	-	4 120 840 600	4 120 840 600
State-owned Properties	-	537 802 000	537 802 000
Other - Pensioners etc.	-	32 480 000	32 480 000
Total Assessment Rates	<u>4 196 500</u>	<u>8 633 601 800</u>	<u>8 637 798 300</u>

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
Rates:		
Residential	0.008961 c/R	0.008510 c/R
Commercial	0.011471 c/R	0.010894 c/R
Agricultural (2010 - less 65% rebate)	0.001792 c/R	0.001702 c/R
DMA Agricultural	0.001792 c/R	0.000598 c/R
<p>The rand is subdivided into 100 cents. c/R means cents in Rand.</p> <p>Assessment Rates are levied on the value of land and improvements. The last valuation came into effect on 1 July 2016, and the next one will be implemented 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.</p> <p>Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September.</p> <p>Interest is levied at the prime rate plus 1% on outstanding monthly rates.</p> <p>Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.</p>		
20 TRANSFERS	2019 R	2018 R Restated
20.1 Government grants and subsidies		
Unconditional Grants		
Equitable Share	52 340 000	47 561 000
Conditional Grants	49 512 734	47 350 850
Department of Mineral Resources	2 500 000	2 189 846
FMG	1 550 000	1 550 000
MIG	20 951 000	21 614 000
Municipal Water Infrastructure Grant	6 901 295	10 000 000
EPWP	1 630 000	1 406 000
CDW's	30 915	111 000
Library Services	7 698 000	6 246 000
FMSG	330 000	530 000
Public Transport Infrastructure	78 000	65 000
Municipal Capacity Building Grant	119 502	178 205
Municipal Service Delivery and Capacity Building Grant	153 130	680 056
Thusong services centres operational grant	15 046	65 000
Municipal Drought Relief Grant	2 024 916	1 437 897
Municipal Disaster Recovery Grant	4 246 325	549 228
Human Settlements	1 188 750	562 486
Transport, Education and Training SETA	95 855	166 132
Total Government Grants and Subsidies	101 852 734	94 911 850
20.2 Private sector grants		
Private Sector (TRONOX)	1 665 281	-
Total Government and Other Grants and Subsidies	103 518 015	94 911 850
Government Grants and Subsidies - Capital	39 416 472	35 858 386
Government Grants and Subsidies - Operating	64 101 544	59 053 464
	103 518 016	94 911 850
Expenditure per vote as required by Section 123 (c) of the MFMA		
Vote 1 - Executive & Council	26 930	223 070
Vote 2 - Finance	1 880 000	2 080 000
Vote 3 - Corporate	7 913 357	457 523
Vote 4 - Community Development	610 911	9 730 586
Vote 5 - Infrastructure Services	40 746 818	34 859 670
Total Expenditure per vote	51 178 016	47 350 850
Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the ensuing 3 financial years.		
20.3 Equitable share		
Opening balance		-
Grants received	52 340 000	47 561 000
Operating	(52 340 000)	(47 561 000)
Closing balance	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R Restated
20.4 Department of Mineral Resources		
Opening balance	-	(810 154)
Grants received	2 500 000	3 000 000
Conditions met - Operating	-	-
Conditions met - Capital	(2 500 000)	(2 189 846)
Conditions still to be met/(Grant Expenditure to be recovered)	-	-
Closing balance	<u>-</u>	<u>-</u>
20.5 Local Government Financial Management Grant (FMG)		
Grants received	1 550 000	1 550 000
Conditions met - Operating	(1 550 000)	(1 550 000)
Closing balance	<u>-</u>	<u>-</u>
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG also fund the cost of the Financial Management Internship Programme.		
20.6 Municipal Infrastructure Grant (MIG)		
Grants received	20 951 000	21 614 000
Conditions met - Operating	(705 783)	-
Conditions met - Capital	(20 245 217)	(21 614 000)
Closing balance	<u>-</u>	<u>-</u>
The grant was used to upgrade infrastructure in previously disadvantaged areas.		
20.7 Housing Grants		
Opening balance	4 032 267	898 000
Grants received	1 000 000	3 696 753
Conditions met - Operating	(438 750)	(562 486)
Conditions met - Capital	(750 000)	-
Conditions still to be met/(Grant Expenditure to be recovered)	<u>3 843 517</u>	<u>4 032 267</u>
Housing grants was utilised for the development of erven and the erection of top structures.		
20.8 Other Grants		
Opening balance	18 788 428	761 814
Grants received	20 191 855	38 055 132
Conditions met - Operating	(9 067 011)	(7 973 978)
Conditions met - Capital	(14 255 974)	(12 054 540)
Conditions still to be met/(Grant Expenditure to be recovered)	<u>15 657 298</u>	<u>18 788 428</u>
20.9 Grants from Private Sector (TRONOX)		
Grants received	5 000 000	-
Conditions met - Capital	(1 665 281)	-
Conditions still to be met/(Grant Expenditure to be recovered)	<u>3 334 719</u>	<u>-</u>
20.10 Total Grants		
Opening balance	22 699 967	849 660
Grants received	103 532 855	116 882 885
Conditions met - Operating	(64 101 544)	(59 053 465)
Conditions met - Capital	(39 416 472)	(35 858 386)
Repaid to Grantor	-	(120 727)
Conditions still to be met/(Grant expenditure to be recovered)	<u>22 714 807</u>	<u>22 699 967</u>
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	22 745 722	22 699 967
Unpaid Conditional Government Grants and Receipts	(30 915)	-
	<u>22 714 807</u>	<u>22 699 967</u>

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
21 SERVICE CHARGES		
Electricity	108 452 365	100 072 268
Service Charges	108 982 227	100 195 836
Less: Revenue foregone	(529 862)	(123 568)
Water	19 486 899	11 015 989
Service Charges	20 480 769	11 270 167
Less: Revenue foregone	(993 870)	(254 178)
Refuse removal	15 353 223	14 941 304
Service Charges	20 533 186	19 215 504
Less: Revenue foregone	(5 179 963)	(4 274 200)
Sewerage and Sanitation Charges	15 267 503	14 251 530
Service Charges	20 896 165	19 304 490
Less: Revenue foregone	(5 628 662)	(5 052 960)
Total Service Charges	158 559 989	140 281 091
22 SALES OF GOODS AND RENDERING OF SERVICES		
Advertising	35 495	26 531
Application Fees - Town Planning	41 755	51 335
Building Plan Fees	187 192	202 429
Cemetery	240 632	256 742
Development Charges	968 513	-
Encroachments	21 082	8 402
Housing Redeemed	-	13 960
Insurance Claims	80 438	58 849
Photocopies	22 356	34 046
Roadworthy Certificates	551 757	709 877
Subscription Fees	212	246
Sundry Income - Finance	460 140	946 077
Valuation Certificates	130 810	156 317
Other revenue	6 693	222 741
Telephone	18 438	44 251
Total Other Income	2 765 513	2 731 805
23 CONTRIBUTION PROPERTY, PLANT AND EQUIPMENT		
Housing Development	31 967 743	7 761
Total Contributing Property, Plant and Equipment	31 967 743	7 761
Department of Land Reforms and Department of Housing contributed towards the construction of infrastructure assets		
24 RENTAL FROM FIXED ASSETS		
Investment Property	2 255 175	2 121 750
Other rentals	2 298 295	1 596 652
Total Rental from Fixed Assets	4 553 470	3 718 402
25 INTEREST EARNED		
External Investments	3 311 815	2 497 636
Trade Receivables	4 900 345	2 834 827
Total Interest Earned-External Investments	8 212 160	5 332 463
26 AGENCY SERVICES		
Agency services	3 368 514	3 284 970
Total Agency Services	3 368 514	3 284 970
Agency services consists of motor vehicle registration and licensing agency fees		

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	R	R
27 EMPLOYEE RELATED COSTS		
Basic	88 106 181	71 074 346
Bonuses	7 640 955	5 950 770
Contributions for UIF, pensions and medical aids	19 461 365	16 323 851
Housing Subsidy	260 679	200 553
Overtime	7 525 014	5 471 967
Protective Clothing	694 391	638 370
Skills Development Levy and Training	1 150 711	948 781
Travel, motor car, telephone, assistance and other allowances	11 373 455	8 802 789
Provision for Staff Leave - Note 6.1	2 616 913	1 776 746
Contribution to provision - Post Retirement Medical - Note 4.2.1	1 117 647	1 174 412
Contribution to provision - Long Service Awards - Note 4.2.2	530 220	479 975
Total Employee Related Costs	<u>140 477 531</u>	<u>112 842 560</u>
28.1 KEY MANAGEMENT PERSONNEL		
The Municipal Manager is appointed on a 5 year fixed contract. There are no post-employment or termination benefits payable at the end of the contract period. All directors are permanently appointed.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Municipal Manager: DP Lubbe		
Basic Salary	881 204	892 581
Pension and UIF Contributions	1 785	1 884
Performance Bonus	199 163	93 052
Motor Vehicle Allowance	380 546	356 313
Cell phone Allowance	15 859	12 914
Other Allowances and Benefits	258 642	171 817
Total	<u>1 737 199</u>	<u>1 528 561</u>
Remuneration of the Chief Financial Officer: GRJ Seas		
Basic Salary	725 531	863 227
Pension and UIF Contributions	1 785	1 884
Performance Bonus	163 528	139 447
Motor Vehicle Allowance	312 456	110 016
Cell phone Allowance	13 581	-
Other Allowances and Benefits	401 643	257 288
Total	<u>1 618 524</u>	<u>1 371 862</u>
Remuneration of the Director Technical Services: R Basson		
Basic Salary	610 435	758 210
Pension and UIF Contributions	120 820	150 042
Performance Bonus	163 528	25 354
Motor Vehicle Allowance	299 137	103 133
Cell phone Allowance	14 200	13 600
Other Allowances and Benefits	219 432	159 116
Total	<u>1 427 552</u>	<u>1 209 455</u>
Remuneration of the Director Technical Services: J Pekeur (Resigned 28 February 2017)		
Performance Bonus	-	88 091
Total	<u>-</u>	<u>88 091</u>
Remuneration of the Director Corporate Services: W Conradie		
Basic Salary	741 021	654 266
Pension and UIF Contributions	147 153	137 723
Medical Aid Contributions	50 342	47 307
Performance Bonus	147 862	116 406
Motor Vehicle Allowance	84 277	78 499
Cell phone Allowance	13 200	12 600
Other Allowances and Benefits	107 295	138 363
Total	<u>1 291 150</u>	<u>1 185 164</u>
Remuneration of the Director Community Development Services: L Phillips		
Basic Salary	835 424	729 091
Pension and UIF Contributions	1 785	1 884
Medical Aid Contributions	30 181	35 910
Performance Bonus	147 862	115 268
Motor Vehicle Allowance	155 257	136 109
Cell phone Allowance	14 200	5 200
Other Allowances and Benefits	193 502	153 164
Total	<u>1 378 211</u>	<u>1 176 626</u>
Remuneration of the Director Community Services: J Swartz		
Basic Salary	-	59 254
Pension and UIF Contributions	-	11 711
Medical Aid Contributions	-	3 887
Performance Bonus	-	125 301
Motor Vehicle Allowance	-	5 221
Other Allowances and Benefits	-	854 885
Total	<u>-</u>	<u>1 060 259</u>

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
29 REMUNERATION OF COUNCILLORS		
HJ vd Hooven	813 794	4 198
DD Jenner	671 447	424 128
G Stephan	-	790 688
A Sindaymba	676 299	688 143
MM Bains	167 653	-
NS Louw	703 000	677 531
RJ Nutt	95 431	637 736
WD Loff	650 037	637 736
AFK Job	650 037	637 736
P Bok	302 752	292 677
WH Nell	321 004	292 677
AW Links	302 752	292 677
J de Jongh	302 752	292 677
M Carosini	302 752	292 677
NM Ngobo	302 752	292 677
MV Cloete	302 752	292 677
XP Tshetu	369 788	292 677
Total Councillors Remuneration	6 935 002	6 839 312
Remuneration of councillors can be summarised as follows:		
Basic salary	5 824 982	5 816 995
Travel, motor car, telephone, assistance and other allowances	922 245	839 320
Contributions for UIF, pensions and medical aids	187 775	182 997
Total Councillors' Remuneration	6 935 002	6 839 312
Mayor	868 549	790 688
Deputy Mayor	657 643	688 143
Speaker	703 000	677 531
Mayoral Committee	1 938 804	1 913 208
Councillors	2 767 006	2 769 742
Total Councillors' Remuneration	6 935 002	6 839 312
In-kind Benefits		
The Executive Mayor, Executive Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.		
30 CONTRACTED SERVICES		
Outsourced Services	3 061 427	1 736 941
Catering Services	178 114	185 199
Medical Services	49 665	25 807
Security Services	1 566 025	918 599
Traffic Fines Management	801 526	93 232
Transport Services	90 853	100 323
Valuer	25 240	62 796
Veterinary Services	350 004	350 984
Consultants and Professional Services	5 052 012	4 690 249
Business and Advisory	3 340 666	3 527 171
Infrastructure and Planning	854 771	408 316
Laboratory	640 373	556 118
Legal Cost	216 202	198 645
Contractors	1 529 326	1 320 738
Employee Wellness	54 713	57 869
Fire Protection	43 697	22 862
Maintenance of Assets	1 355 054	1 068 601
Management of Informal Settlements	21 662	50 727
Stream Cleaning and Ditching	4 750	-
Sewerage Services	-	65 229
Transportation	49 450	55 450
Total Contracted Services	9 642 765	7 747 928
31 DEBT IMPAIRMENT		
Trade Receivables from exchange transactions	8 177 590	5 956 365
Trade Receivables from non-exchange transactions	11 918 675	11 759 372
VAT Portion of Provision	(1 802 876)	(40 495)
Total debt impairment	18 293 389	17 675 242

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
32 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	14 350 094	13 830 468
Intangible Assets	119 165	50 874
Total Depreciation and Amortisation	14 469 259	13 881 342
33 FINANCE COSTS		
Long-term Borrowings	2 469 199	2 648 713
Non-current Employee Benefits	3 122 710	2 954 388
Total Finance Costs	5 591 909	5 603 101
34 BULK PURCHASES		
Electricity	88 879 642	83 077 080
Water	5 265 029	4 534 918
Total Bulk Purchases	94 144 671	87 611 998
35 REPAIRS AND MAINTENANCE		
Expenditure incurred to repair and maintain Property, Plant and Equipment and Investment property The expense forms part of the inventory consumed, operational costs and contracted services line items.		
Community Assets	930 420	851 555
Contracted Services	95 879	59 374
Other materials	827 681	768 725
Other Expenditure	6 860	23 456
Infrastructure	3 168 518	3 180 691
Contracted Services	25 007	76 679
Other materials	2 512 067	2 016 096
Other Expenditure	631 444	1 087 917
Land and buildings	619 085	516 226
Contracted Services	10 941	14 605
Other materials	608 144	501 621
Other Expenditure	-	-
Other Assets	5 006 389	4 271 435
Contracted Services	1 212 337	915 598
Other materials	3 432 303	3 186 875
Other Expenditure	361 748	168 963
Investment Property	8 875	9 376
Contracted Services	-	-
Other materials	8 875	9 376
Other Expenditure	-	-
Total Contracted Services	1 344 165	1 066 256
Total Other Materials	7 389 070	6 482 692
Total Other Expenditure	1 000 052	1 280 336
Total Repairs and Maintenance	9 733 287	8 829 284
36 TRANSFERS AND SUBSIDIES		
Operational: Monetary Allocations		
Life Guards	196 000	240 433
Development Programmes	50 401	-
Poverty Alleviation	7 022	257 624
Tourism	980 760	931 396
Sport development	15 036	7 000
Total Grants and Subsidies	1 249 219	1 436 453
37 FINES, PENALTIES AND FORFEITS		
Overdue Books	27 342	26 523
Traffic Fines	16 419 440	10 808 827
Total Fines, penalties and forfeits	16 446 782	10 835 350

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	R	R
		Restated
38 OPERATIONAL COST		
Advertisements	367 086	302 950
Audit Fees	2 016 434	1 998 926
Bank Charges	697 053	439 198
Commission Paid	1 910 982	1 717 424
Computer Service	1 469 772	2 670 069
Contributions to Calender events	18 350	117 941
Development Programmes	-	15 617
Entertainment Costs	-	38 691
Fuel	4 495 535	3 952 238
Hire Charges	1 006 940	1 727 997
Insurance	802 814	1 270 600
Licenses	749 648	206 630
Municipal Services	2 410 316	1 976 182
Other materials	-	3 449
Photocopies	85 089	67 831
Postage	92 560	50 399
Printing and Stationary	1 766 120	1 219 541
Prodiba payments	281 003	261 360
Public Entertainment	27 559	29 097
External networks-IT services	582 018	761 578
Subscription Fees	1 254 069	1 203 648
System Access and Information Fees	61 973	72 476
Telephone	938 136	901 796
Training Costs	436 301	318 959
Travel and Subsistence	2 168 993	1 786 540
Vehicle Tracking	134 343	93 222
Other	1 182 827	615 475
Workmen's Compensation Fund	687 688	600 785
Total Operational Costs	25 643 609	24 420 618

Other costs consists of administration, cleaning, disinfection costs, lost books, management of informal areas, marketing region, meter costs, projects, protection equipment, recruitment costs, staff wellness, street lights, trade union contributions and ward committee functions.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R Restated
39.1 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS		
Surplus for the year	68 791 178	18 906 125
Adjustments for:	(15 670 483)	37 423 558
Interest received		-
Interest receivable capitalised to cash and bank		(7 761)
Contributed property, plant and equipment	(31 967 743)	649 006
Loss on disposal PPE	147 001	(486 184)
Gain on disposal of investment property	(109 774)	144 484
Impairment loss	118 756	(954 933)
Actuarial gains	(601 061)	
Actuarial loss	-	
Depreciation	14 469 259	13 881 342
Fair value adjustments	(23 838 200)	(353 218)
Debt Impairment	18 293 388	17 675 240
Other non cash items	-	(121)
Operating lease	1 383	(5 971)
Contributions to employee benefit	3 295 555	1 423 156
Contributions to non-current provisions	1 881 600	2 819 220
Unwinding of discount - landfill site	2 639 353	2 639 298
Operating Surplus before changes in working capital	53 120 695	56 329 683
Changes in working capital	(19 892 191)	25 202 120
Increase/(Decrease) in Payables from Exchange Transactions	6 734 698	29 449 194
Increase/(Decrease) in VAT receivable	(3 971 929)	(1 276 601)
Increase in unspent conditional grants	14 840	21 850 309
(Increase)/Decrease in Inventory	228 046	(204 278)
(Increase)/Decrease in exchange receivables	(13 343 045)	(12 042 590)
(Increase)/Decrease in non-exchange receivables	(9 554 801)	(12 573 914)
Cash generated by operations	<u>33 228 504</u>	<u>81 531 803</u>
39.2 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Cash Floats - Note 18	5 620	5 620
Bank - Note 18	29 411 445	44 571 095
Call Investment Deposits	2 007 489	1 875 902
Total cash and cash equivalents	<u>31 424 554</u>	<u>46 452 617</u>
39.3 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 18	31 424 554	46 452 617
Unspent Committed Conditional Grants - Note 8	(22 745 722)	(22 699 967)
Capital Replacement Reserve - Note 2	(3 405 931)	(4 545 000)
Unpaid Conditional Grants - Note 8	30 915	-
Tax receivable - Note 9	5 686 509	1 714 580
Net cash resources available for internal distribution/(resources utilised for internal distribution)	<u>10 990 325</u>	<u>20 922 230</u>
There are restrictions on the cash and cash equivalent assets as the unspent conditional grants are cash backed.		
39.4 RECLASSIFICATION OF CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flows from operating activities previously reported as cash receipts from ratepayers, government has been reclassified to be more in line with GRAP 2.		

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

40 CORRECTION OF ERROR IN TERMS OF GRAP 3

Property, Plant and Equipment

Correction of Property, Plant and Equipment. After physical verification of fixed assets were performed during May 2019 corrections have been identified. This is now corrected with the following entries. Dt Cost Opening balance R 344 924.54, (Ct) Accumulated Surplus Prior Year 2016/2017 R 344 924.54, Dt Accumulated Surplus Prior Year 2016/2017 R 35 892.55, (Ct) Accumulated Depreciation, R35 892.55. Dt Accumulated surplus 2017/2018 R11 267.71, (Ct) Accumulated Depreciation, R11 267.71

Investment Property

Correction of Investment property after verification of properties during May 2019, this is now corrected with the following entries. Dt Investment Properties, R18 000, Ct) Accumulated Surplus 2016/2017 R18 000

Trade and other Payables

Correction deposit received for sale of investment property incorrectly recognised as part of sale in 2016/2017 as part of Gains on Disposal of Investment property as a result of incorrect even number used for the recognition of the income. Only discovered after the sale of Investment property took place in 2019, this is now corrected with the following entries. Dt Accumulated surplus 2016/2017, R2 631.58 (Ct) Trade and other Payables, R2631.58

Cash flow statement - Finance costs

Remeasurement of Provision was incorrectly included in the Cash flow statement as interest on Provision as it was not actual Cash outflow. The Interest should have not been included. Finance cost is overstated in the Cash flow statement by R3 295 233 (2018)

40.1 Property, Plant and Equipment: Other Assets

	Restated 2018 R	Restated 2017 R
(a) Office Equipment		
Cost	4 593 665	3 998 974
Balance previously reported	4 556 409	3 961 718
Office Equipment incorrectly recognised	37 256	37 256
Accumulated Depreciation	2 639 849	2 396 453
Balance previously reported	2 637 353	2 395 068
Office Equipment incorrectly recognised	2 496	1 385
Restated Balance	1 953 816	1 602 520
(b) Motor Vehicles		
Cost	22 035 980	22 013 080
Balance previously reported	22 026 107	22 003 207
Motor Vehicles incorrectly recognised	9 873	9 873
Accumulated Depreciation	12 186 127	11 488 310
Balance previously reported	12 186 127	11 488 310
Motor Vehicles incorrectly recognised	-	-
Restated Balance	9 849 854	10 524 769
(c) Plant and Equipment		
Cost	3 271 222	2 686 996
Balance previously reported	2 987 194	2 402 968
Plant and Equipment incorrectly recognised	284 028	284 028
Accumulated Depreciation	1 597 930	1 414 121
Balance previously reported	1 555 067	1 380 783
Plant and Equipment incorrectly recognised	42 863	33 338
Restated Balance	1 673 293	1 272 875

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Restated 2018 R	Restated 2017 R
(d) Computer Equipment		
Cost	1 664 682	824 778
Balance previously reported	1 650 914	811 010
Computer Equipment incorrectly recognised	13 768	13 768
Accumulated Depreciation	332 389	189 166
Balance previously reported	330 587	187 997
Computer Equipment incorrectly recognised	1 802	1 170
Restated Balance	1 332 293	635 611
40.2 Investment Property		
Net Carrying Value 1 July	67 326 800	67 691 582
Property incorrectly recognised	18 000	18 000
Restated Balance	67 344 800	67 709 582
40.3 Payables from Exchange Transactions		
Deposit investment property sales balance previously reported	254 230	246 790
Deposit not recognised	2 632	2 632
Restated Balance	256 862	249 421
40.4 Accumulated Surplus		
Balance previously reported	521 249 075	502 484 684
Office Equipment incorrectly recognised	34 761	35 870
Plant and Equipment incorrectly recognised	241 165	250 691
Motor Vehicles incorrectly recognised	9 873	9 873
Computer Equipment incorrectly recognised	11 966	12 598
Investment property incorrectly recognised	18 000	18 000
Gains on Sale of Investment property incorrectly recognised	(2 632)	(2 632)
Restated Balance	521 562 208	502 809 084
41 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - note 3	22 612 432	19 066 401
Used to finance property, plant and equipment - at cost	(22 612 432)	(19 066 401)
	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
42	IRREGULAR EXPENDITURE		
	Reconciliation of irregular expenditure:		
	Opening balance	-	-
	Irregular expenditure current year	51 694 751	-
	Irregular expenditure identified in the current year relating to the prior year	25 755 924	-
	Condonement supported by Council	-	-
	Transfer to receivables for recovery	-	-
		<u>77 450 675</u>	<u>-</u>
	Irregular expenditure awaiting further action		
	Irregular expenditure awaiting condonement from National Treasury		
	Incident		
	Bid Adjudication Committee not constituted in terms of SCM Reg 29(2)	16 483 640	-
	Operating expenditure incurred contrary to legislative supply chain requirements relating to the current year.	1 204 654	-
	Open ended contract awarded without following a competitive bidding process	34 006 457	-
		<u>51 694 751</u>	<u>-</u>
	Irregular expenditure identified in the current year relating to the prior year		
	Incident:		
	Bid Adjudication Committee not constituted in terms of SCM Reg 29(2)	21 324 860	-
	Open ended contract awarded without following a competitive bidding process	4 431 064	-
		<u>25 755 924</u>	<u>-</u>
	Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. The section 32 investigation has not commenced therefore no steps have been taken at this stage to recover any expenditure incurred. The Municipality is investigating further irregular expenditure with regards to the non-compliance of their BAC composition that affects years preceding the current period.		
43	MATERIAL LOSSES		
	Water distribution losses		
	There were no material water distribution losses during the current and previous financial year		
	Electricity distribution losses		
	- Units purchased (Kwh)	80 119 105	80 184 787
	- Units lost during distribution (Kwh)	10 612 982	10 476 360
	- Percentage lost during distribution	13.25%	13.10%
	Electricity losses decreased during 2018 financial year due to auditing and installation of new bulk meters		
43.1	Non-Material Losses		
	Water distribution losses		
	- Kilo litres purchased	3 156 476	3 490 767
	- Kilo litres lost during distribution	145 378	-
	- Percentage lost during distribution	4.61%	0.00%
44	ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT		
44.1	Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA Contributions		
	Opening balance	-	-
	Council subscriptions	1 197 549	1 175 749
	Amount paid - current year	(1 197 549)	(1 175 749)
	Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
44.2	Audit fees - [MFMA 125 (1)(b)]		
	Opening balance	-	-
	Current year audit fee	2 016 434	1 998 926
	Amount paid - current year	(2 016 434)	(1 998 926)
	Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
44.3	VAT - [MFMA 125 (1)(b)]		
	Opening balance	1 714 580	437 979
	Amounts received - current year	(1 558 029)	(1 692 989)
	Amounts paid - current year	1 547 250	1 290 028
	Amounts (received)/paid - previous years	1 697 027	326 391
	Not declared	376 053	(1 403 383)
	Amounts claimed - current year	2 099 858	2 756 555
	Closing balance - (Payable)/Receivable	<u>5 876 739</u>	<u>1 714 580</u>
	VAT in suspense due to cash basis of accounting		
	Input VAT	4 495 754	5 483 683
	Output VAT	1 380 985	(3 769 103)
	Claimable/(Payable)	<u>5 876 739</u>	<u>1 714 580</u>
	VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
44.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	21 489 856	16 691 987
Amount paid - current year	(21 489 856)	(16 691 987)
Balance unpaid (included in creditors)	-	-
44.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	18 890 798	15 896 588
Amount paid - current year	(18 890 798)	(15 896 588)
Balance unpaid (included in creditors)	-	-
44.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]		
The following Councillors had arrear accounts for more than 90 days during the financial year.		
Councillor A Links	-	694
Councillor R.J Nutt	-	1 015
Councillor AFK Job	11 571	-
	11 571	1 708

44.7 Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation (36)(1)(a) & (b)

30 June 2019	Two Suppliers R	Single Supplier R	Sec 5.27 R	Emergency R	Total R
July 18	-	-	1 321 218	4 379 213	5 700 431
August 18	-	-	1 159 237	561 420	1 720 657
September 18	-	-	1 618 755	863 730	2 482 486
October 18	-	-	1 471 812	502 276	1 974 088
November 18	-	-	129 289	151 966	281 255
December 18	-	-	6 125 919	24 715	6 150 635
January 19	-	-	1 029 948	135 751	1 165 699
February 19	-	-	21 267 772	26 950	21 294 722
March 19	-	-	113 043	36 757	149 800
April 19	-	-	1 029 948	78 005	1 107 953
May 19	-	-	1 303 756	78 158	1 381 913
June 19	-	-	1 217 747	2 718 378	3 936 125
	-	-	37 788 445	9 557 318	47 345 763

30 June 2018	Two Suppliers R	Single Supplier R	Sec 5.27 R	Emergency R	Total R
July 17	4 509	21 053	357 701	-	383 263
August 17	140 261	59 255	346 864	-	546 380
September 17	76 236	26 053	470 660	-	572 949
October 17	109 742	68 762	807 330	-	985 834
November 17	49 459	364 094	383 500	-	797 053
December 17	39 670	2 247 302	71 403	-	2 358 375
January 18	4 594	48 811	637 093	-	690 498
February 18	41 403	38 015	362 909	-	442 327
March 18	107 828	72 995	544 055	-	724 878
April 18	129 134	3 926	680 916	-	813 976
May 18	16 764	20 882	852 007	-	889 653
June 18	2 065	12 504	6 054 235	-	6 068 804
	721 665	2 983 652	11 568 673	-	15 273 990

44.8 Regulation 45 : Particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months

				2019 R	2018 R
Entity	Employee Name	Position in service of the state	Relationship		
Meyer Kabinette	H Meyer	Manager Supply Chain	Husband	78 390	209 610
F1 Traders	J Ovis	Manager Community Services	Father	18 244	15 688
Sunfox	M Michinon	Cashier	Daughter	13 129	15 170
PR Civils	M Koopman	General Worker	Husband	7 516 451	-
				7 626 214	240 468

45 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for infrastructure	20 566 545	14 707 145
This expenditure will be financed from government grants and contributions from private sector	20 566 545	14 707 145

46 FINANCIAL RISK MANAGEMENT

The activities of the Municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

46.1 Foreign Exchange Currency Risk

The municipality procured goods and services denominated in a foreign currency but the Rand value was determined at the time of procurement and the risk was low at the time of payment. It was for the payment of Microsoft licences and the supplier was the only provider of the product.

46.2 Price risk

The Municipality is not exposed to price risk.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
46.3 Interest Rate Risk		
Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.		
loan liabilities, as detailed in Appendix A, are fixed interest rate loans.		
The Municipality did not hedge against any interest rate risks during the current year.		
The impact on the entity's non current borrowings for the year due to changes in interest rates were as follows:		
0.5% (2018/19: 0.5%) Increase in interest rates	<u>(95 332)</u>	<u>(25 230)</u>

46.4 Credit Risk
Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss.
Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 15 and 16 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for debt impairment could be allocated between the different classes of debtors as follows:

	2019 %	2019 R	2018 %	2018 R
<u>Exchange Receivables</u>				
Service Charges - Note 15	55.53%	44 579 758	0.00%	-
	<u>55.53%</u>	<u>44 579 758</u>	<u>0.00%</u>	<u>-</u>

The provision for debt impairment could be allocated between the different categories of debtors as follows:

Description	2019 %	2019 R	2018 %	2018 R
Water	16.46%	7 339 078	8.24%	5 330 678
Electricity	4.21%	1 874 694	3.27%	2 113 887
Rental	0.00%	-	0.00%	-
Refuse	20.00%	8 915 009	12.60%	8 148 248
Sewerage	17.87%	7 968 497	11.52%	7 452 092
Other exchange	37.49%	16 713 256	26.35%	17 042 648
Loans	2.30%	1 024 530	0.56%	360 700
Indigent debtors	1.67%	744 695	0.49%	318 419
	<u>100.00%</u>	<u>44 579 759</u>	<u>100.00%</u>	<u>40 766 673</u>

Bad debts written off per financial asset class:

Financial Instruments at amortised cost	100.00%	4 500 126	100.00%	4 303 805
	<u>100.00%</u>	<u>4 500 126</u>	<u>100.00%</u>	<u>4 303 805</u>

Balances past due not impaired:

<u>Exchange Receivables</u>				
Service Charges - Note 15	100.00%	7 137 575	100.00%	5 832 439
	<u>100.00%</u>	<u>7 137 575</u>	<u>100.00%</u>	<u>5 832 439</u>

As at 30 JUNE 2019, trade receivables of R 25 621 327 (2018: R19 098 490) were fully performing.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and amount of R3 405 931 are restricted for the Capital replacement reserve. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

Long-term Receivables, Receivables from Exchange Transactions and Receivables from Non-Exchange Transactions are individually evaluated annually at year end for impairment.

	2019 R	2018 R Restated
Financial assets exposed to credit risk at year end are as follows:		
Long-term receivables	768 397	240 466
Receivables from exchange transactions	25 621 327	21 818 254
Receivables from non-exchange transactions	10 527 398	10 858 447
Cash and Cash Equivalents	31 366 501	46 452 617
	<u>68 283 623</u>	<u>79 369 784</u>

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

46.5 Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
2019				
Long Term liabilities	9 387 791	20 887 328	10 028 181	-
Payables from Exchange Transactions	38 657 952	-	-	-
	48 045 743	20 887 328	10 028 181	-
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
2018				
Long Term liabilities	6 486 503	16 496 403	11 701 044	-
Payables from Exchange Transactions	33 658 915	-	-	-
	40 145 418	16 496 403	11 701 044	-

47 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the Municipality are classified as follows:

Financial instruments at amortised cost

	2019 R	2018 R
47.1 Financial Assets		Restated
Long-Term Receivables	2 049 060	721 399
Receivables from exchange transactions	25 621 327	19 098 490
Receivables from non-exchange transactions	555 220	436 995
Cash and Cash Equivalents	31 424 554	46 452 617
Total carrying amount of financial assets	59 650 161	66 709 501
Financial Liabilities		
Long-term Liabilities	22 612 432	19 066 401
Payables from exchange transactions	38 657 952	33 658 915
Current Portion of Long-term Liabilities	6 754 834	4 962 463
Total carrying amount of financial liabilities	68 025 218	57 687 779

48 STATUTORY RECEIVABLES

	2019 R	2018 R
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
Taxes: VAT Receivable	3 749 318	1 714 580
Receivables from Non-Exchange Transactions	43 731 284	31 997 822
Rates	13 074 665	13 301 683
Fines	30 656 619	18 696 139
Total statutory receivables	47 480 602	33 712 402

49 EVENTS AFTER THE REPORTING DATE

On the 30 July 2019 Councillor DD Jenner was elected as the new executive mayor.

On 11 October 2019 the municipal manager separated from the municipality on a mutual agreement and an acting municipal manager was appointed to allow for the recruitment of a new municipal manager.

50 IN-KIND DONATIONS AND ASSISTANCE

The Municipality did not receive any in-kind donations or assistance during the year under review.

51 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

52 CONTINGENT LIABILITIES

The municipality is currently engaged in litigation with the previous strategic advisor to the executive however the probability of success of the claimant is very low as the claimant Mr P Rautenbach was already unsuccessful at the Commissioner of the Bargaining Council. The amount can not be determined.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

53 RELATED PARTIES

53.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

53.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 29 to the Annual Financial Statements.

53.3 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

Supplier	Employee	Relationship	Department	Position in service of the state	2019 R	2018 R
Meyer Kabinette	H Meyer	Husband	Finance	Accountant	78 390	209 610
F1 Traders	J Ovis	Father	Community Services	Manager	18 244	15 688
Sunfox	M Michinon	Daughter	Finance	Cashier	13 129	15 170
PR Civils	M Michinon	Daughter	Finance	Cashier	7 516 451	-
					<u>7 626 214</u>	<u>240 468</u>

54 EXPLANATORY NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

54.1 COMPARISON OF ACTUAL FIGURES vs. THE FINAL BUDGET

54.1.1 STATEMENT OF FINANCIAL POSITION

Current Assets:

Cash	Drought relief Grants received from national and provincial government could not be spent by 30 JUNE 2019 because the specialised equipment is only available from overseas. Items procured were in transit at year end. Payments will be made in the new financial year.
Other Receivables	GRAP requires that provincial and municipal fines issued be recognised at their gross value.
Inventory	The decrease can be ascribed to lower levels of purified water and an increased consumption of graves and consumable stores.
Current portion of long term receivables.	The increase relates directly to the increase in arrangements to repay arrear consumer accounts.

Non current assets:

Long term receivables	The increase relates directly to the increase in arrangements to repay arrear consumer accounts.
Investment property	The increase is driven by the increase in the fair value of investment property based on values determined at year-end.
Other non-current assets	The increase is due to reclassification of the non-current and current portions of the operating lease asset

Current liabilities:

Consumer deposits	The deposits held were credited to consumer accounts during the year under review.
Trade and other Payables	The increase is informed by normal payment terms and unspent conditional grants balances at year end.
Provisions	Increase in Bonus provision due to new appointments made during the year.

Community Wealth

Reserves	Capital expenditure funded out of own income was lower than expected due to the negative impact of the drought on revenue generation.
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54.1.2 STATEMENT OF FINANCIAL PERFORMANCE

Revenue

Interest earned on outstanding debtors	The increase is informed by the increase in exchange receivables.
Licences and Permits	The income generated was less than projected by approximately R116 000. Accepted as reasonable.
Other Revenue	The fair value adjustments to investment property was more than projected due to increased values determined by the external valuers at 30 June 2019.
Gains on Disposal of PPE	The sale of the land for the private hospital was not finalised at year-end as per expectation. The sale of municipal houses that were put out on tender was not finalised at year-end as expected.
Transfers and subsidies - Capital (national/Provincial)	The decrease can be ascribed to the decrease in conditional grants received from national government to assist with the severe drought conditions experienced in the municipal area.
Transfers and subsidies - Capital (national/Provincial Departmental Agencies)	The decrease can be ascribed to the decrease in conditional grants received from provincial government to assist with the severe drought conditions experienced in the municipal area.
Transfers and subsidies - Capital (In-kind- all)	The increase relates to the infrastructure development undertaken for the building of low cost housing.

Expenditure

Depreciation	Too much depreciation was budgeted for landfill site assets due to the application of incorrect useful life estimated in the market demand asset system.
Contracted services	The underperformance can be ascribed to capital projects in progress at year end and cost containment measures that were implemented during the year.
Transfers and subsidies	The decrease can be ascribed to cost containment measures implemented.
Loss on disposal of PPE	The municipality did not budget for a loss on the sale of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

54.1.3 CASH FLOW STATEMENT

Receipts:

Other revenue	Other revenue decreased due to the negative impact of the drought on the economy.
Proceeds on sale of PPE	The sale of the land for the private hospital was not finalised at year-end as per expectation. The sale of municipal houses that were put out on tender was not finalised at year-end as expected.

Increase/(Decrease) in Consumer Deposits	The deposits held were credited to consumer accounts during the year under review.
Decrease in Non-current debtors	Improved performance of arrangements in place for arrear accounts.

Payments:

Finance costs	The increase is due to the new long term loan taken up and inadequate provision made for interest on provisions.
Transfers and grants	Decrease due to cost containment measures implemented
Capital assets	Drought relief Grants received from national and provincial government could not be spent by 30 JUNE 2019 because the specialised equipment is only available from overseas. Items procured were in transit at year end. Payments will be made in the new financial year.

54.2 COMPARISON OF ADJUSTMENTS BUDGET vs. FINAL BUDGET

The reasons for the variances between the approved and final budgets are mainly due to the negative effect of the severe drought, the decrease in the capital expenditure, and the reprioritising of capital projects, with the corresponding changes to funding sources.

55 FINANCIAL SUSTAINABILITY

Management is of the opinion that the Municipality will continue to operate as a going concern and perform its functions as set out in the Constitution.

55.1 Financial Indicators

The current ratio improved to 0.93:1 from 0.84:1 in the prior year.
The municipality has budgeted for positive cash flows during 2018/2019 and 2019/2020 amounting to R8 183 000 and R14 390 000 respectively.

55.2 Other Indicators

The contingent liabilities as at 30 JUNE 2019 are as disclosed in note 52.

**APPENDIX A - Unaudited
MATZIKAMA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2018	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2019
ANNUITY LOANS								
DBSA	12.27%	102857	2018	232 307	-	-	232 307	-
DBSA	6.75%	103143(2)	2018	322 882	-	-	322 882	-
DBSA	11.14%	103749	2020	5 681 626	-	-	2 089 621	3 592 005
DBSA	8.57%	WC12007362.1	2021	9 327 161	-	-	487 872	8 839 289
DBSA	8.57%	WC12007362.2	2031	645 903	-	-	149 568	496 335
DBSA	8.82%	12007652	2022 / 2027	7 818 985	-	-	1 030 633	6 788 352
Standard Bank Loan	10.08%	514952	2024	-	-	10 000 000	348 714	9 651 286
Total Annuity Loans				24 028 863	-	10 000 000	4 661 597	29 367 266
TOTAL EXTERNAL LOANS				24 028 863	-	10 000 000	4 661 597	29 367 266

APPENDIX B - Unaudited
MATZIKAMA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R		2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
			Governance and Administration			
230 831	(14 180 563)	(13 949 732)	Executive & Council	26 930	(15 864 441)	(15 837 511)
137 281 917	(35 922 763)	101 359 153	Budget & Treasury Office	169 836 367	(40 138 631)	129 697 736
2 857 803	(17 741 518)	(14 883 715)	Corporate Services	826 799	(18 088 216)	(17 261 417)
			Community and Public Safety			
7 138 491	(13 060 045)	(5 921 554)	Community and Social Services	6 813 943	(18 256 235)	(11 442 293)
2 126 070	(5 897 048)	(3 770 978)	Sport and Recreation	2 272 160	(7 057 753)	(4 785 593)
10 812 009	(17 012 533)	(6 200 524)	Public Safety	21 324 803	(25 513 698)	(4 188 895)
867 671	(1 312 405)	(444 734)	Housing	526 624	(1 707 170)	(1 180 546)
-	-	-	Health	-	-	-
			Economic and Environmental Services			
627 731	(8 501 514)	(7 873 784)	Planning and Development	2 079 685	(9 273 593)	(7 193 908)
6 740 695	(24 697 653)	(17 956 958)	Road Transport	34 395 687	(27 593 479)	6 802 208
-	-	-	Environmental Protection	-	-	-
			Trading Services			
100 072 268	(97 728 849)	2 343 419	Electricity	108 982 227	(105 103 094)	3 879 132
11 015 989	(17 491 713)	(6 475 724)	Water	19 486 899	(21 584 937)	(2 098 038)
14 251 530	(12 762 548)	1 488 981	Waste Water Management	16 236 015	(13 416 645)	2 819 371
14 982 598	(22 295 024)	(7 312 426)	Waste Management	15 368 871	(24 128 226)	(8 759 355)
-	-	-				
-	(1 495 300)	(1 495 300)	Other	-	(1 659 712)	(1 659 712)
309 005 600	(290 099 476)	18 906 124	Sub Total	398 177 009	(329 385 831)	68 791 178
-	-	-	Less Inter-Departmental Charges			
309 005 600	(290 099 476)	18 906 124	Total	398 177 009	(329 385 831)	68 791 178

APPENDIX C - Unaudited
MATZIKAMA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019
MUNICIPAL VOTES CLASSIFICATIONS

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R		2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
			Vote 1 - Council & Executive			
-	(9 963 942)	(9 963 942)	1.1 - Council	-	(10 124 653)	(10 124 653)
-	(2 293 210)	(2 293 210)	1.2 - Office of the Municipal Manager	-	(2 084 826)	(2 084 826)
-	(47 769)	(47 769)	1.3 - Internal Audit	-	(260 084)	(260 084)
-	-	-	1.4 - IDP	-	-	-
-	(63 960)	(63 960)	1.5 - Communication	-	(62 836)	(62 836)
223 070	(933 223)	(710 153)	1.6 - Risk- & Performance Management	26 930	(2 736 485)	(2 709 555)
0	-878458.92	(878 459)	1.7 - Political Office Bearers	-	(595 558)	(595 558)
			Vote 2 - Financial Services			
43 306 331	(12 369 136)	30 937 195	2.1 - Financial Management (BTO)	69 691 735	(10 630 374)	59 061 361
38 067 465	(18 671 248)	19 396 217	2.2 - Income	88 264 210	(18 028 443)	70 235 767
-	(4 889 643)	(4 889 643)	2.3 - Expenditure	-	(7 414 120)	(7 414 120)
-	(19 342)	(19 342)	2.4 - Supply Chain Management Unit	77 925	(15 878)	62 047
-	(1 735 276)	(1 735 276)	2.5 - ICT	-	(2 847 264)	(2 847 264)
			Vote 3 - Corporate Services			
194 588	(3 291 283)	(3 096 696)	3.1 - Legal & Administration Services	129 882	(5 424 556)	(5 294 674)
1 313 191	(10 303 437)	(8 990 246)	3.2 - Human Resources Management	696 916	(12 675 660)	(11 978 743)
6 259 937	(6 189 294)	70 643	3.3 - Library Services	6 157 841	(7 013 460)	(855 619)
			Vote 4 - Community Development Services			
2 207 794	(22 982 113)	(20 774 319)	4.1 - Community Services	1 719 752	(22 717 280)	(20 997 528)
47 843 729	(4 136 590)	43 707 138	4.2 - Town Planning & Building Control	288 204	(4 583 775)	(4 295 571)
853 539	(5 965 577)	(5 112 038)	4.3 - Economic Development & Tourism	3 313 305	(7 101 603)	(3 788 298)
15 348 260	(12 542 902)	2 805 358	4.4 - Protection Services	21 324 803	(25 050 957)	(3 726 154)
			Vote 5 - Infrastructure Services			
-	(7 225 913)	(7 225 913)	5.1 - Office of Infrastructure Services	705 783	(10 049 035)	(9 343 252)
11 270 167	(16 902 017)	(5 631 850)	5.2 - Water- Distribution & Treatment	20 480 769	(20 879 117)	(398 348)
19 304 490	(11 921 776)	7 382 713	5.3 - Sewerage & Wastewater Treatment	21 864 678	(12 707 836)	9 156 842
1 508 527	(20 258 171)	(18 749 644)	5.4 - Roads & Stormwater	33 689 904	(23 569 172)	10 120 732
1 851 881	(5 176 247)	(3 324 366)	5.5 - Parks, Sportgrounds & Cemeteries (C	213 310	(5 876 216)	(5 662 906)
19 256 797	(13 903 683)	5 353 115	5.6 - Waste Removal & Landfill sites	20 548 834	(12 871 356)	7 677 478
100 195 836	(97 435 266)	2 760 570	5.7 - Electro-Technical Services	108 982 227	(104 065 288)	4 916 938
309 005 600	(290 099 476)	18 906 124	Sub Total	398 177 009	(329 385 831)	68 791 178
-	-	-	Less Inter-Departmental Charges	-	-	-
309 005 600	(290 099 476)	18 906 124	Total	398 177 009	(329 385 831)	68 791 178

APPENDIX D - Unaudited
MATZIKAMA MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2018 R	Contributions during the year R	Correction of error	Operating Expenditure during the year Transferred to Revenue R	Capital Expenditure during the year Transferred to Revenue R	Repaid to National/Provincial Revenue fund R	Balance 30 JUNE 2019 R	Unspent 30 JUNE 2019 (Creditor) R	Unpaid 30 JUNE 2019 (Debtor) R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS									
<u>National Government Grants</u>									
Equitable Share	-	52 340 000	-	52 340 000			-	-	-
Department of Mineral Resources	-	2 500 000	-	-	2 500 000		0	-	-
Financial Management Grant	-	1 550 000	-	1 550 000	-		0	-	-
Municipal Infrastructure Grant	-	20 951 000	-	705 783	20 245 217		-	-	-
Expanded Public Works Programme	-	1 630 000	-	1 630 000	-		-	-	-
Municipal Water Infrastructure Grant		10 000 000	-	-	6 901 295		3 098 705	3 098 705	-
Total National Government Grants	-	88 971 000	-	56 225 783	29 646 512	-	3 098 705	- 3 098 705	-
<u>Provincial Government Grants</u>									
Community Development Workers	-	-		30 915	-	-	(30 915)	-	(30 915)
Library Services	-	7 698 000		6 949 626	748 374		-	-	-
Western Cape Financial Management Support Grant	-	330 000		-	330 000		-	-	-
Public Transport Infrastructure	-	78 000		78 000	-		-	-	-
Municipal Capacity Building Grant	119 696	360 000		119 502	-		360 194	360 194	-
Municipal Service Delivery and Capacity Building Grant	153 130	-		153 130	-		-	-	-
Thusong services centres operational grant	35 000	-		9 983	5 063		19 954	19 954	-
Human Settlements	4 032 267	1 000 000		438 750	750 000		3 843 517	3 843 517	-
Municipal Drought Relief Grant	11 282 103	-		-	2 024 916		9 257 186	9 257 186	-
Municipal Disaster Recovery Grant	7 077 772	-		-	4 246 325		2 831 447	2 831 447	-
Transport, Education and Training SETA	-	95 855	-	95 855	-	-	-	-	-
Total Provincial Government Grants	22 699 967	9 561 855	-	7 875 761	8 104 679	-	16 281 383	- 16 312 298	(30 915)
TOTAL GOVERNMENT GRANTS	22 699 967	98 532 855	-	64 101 544	37 751 191	-	19 380 088	- 19 411 003	(30 915)
<u>Other Grant providers:</u>									
TRONOX	-	5 000 000	-	-	1 665 281		3 334 719	3 334 719	
TOTAL OTHER GRANT PROVIDERS	-	5 000 000	-	-	1 665 281	-	3 334 719	- 3 334 719	-
TOTAL GRANTS	22 699 967	103 532 855	-	64 101 544	39 416 472	-	22 714 807	- 22 745 722	(30 915)

MATZIKAMA MUNICIPALITY - Reconciliation of Table A1 Budget Summary - Unaudited

Description	2018/2019								2017/2018			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
R thousands												
Financial Performance												
Property rates	47 103	0	47 103	43 225		(3 878)	91.8%	91.8%				44 727
Service charges	170 656	6 988	177 644	158 560		(19 084)	89.3%	92.9%				140 281
Investment revenue	1 632	1 900	3 532	3 312		(220)	93.8%	202.9%				2 498
Transfers recognised - operational	64 089	4 386	68 476	64 102		(4 374)	93.6%	100.0%				59 053
Other own revenue	30 039	26 178	56 217	57 594		1 377	102.4%	191.7%				26 581
Total Revenue (excluding capital transfers and contributions)	313 520	39 452	352 973	326 793		(26 180)	92.6%	104.2%				273 139
Employee costs	122 493	15 905	138 398	138 632	–	234	100.2%	113.2%	–	–	–	111 255
Remuneration of councillors	7 226	(291)	6 935	6 935	–	(0)	100.0%	96.0%	–	–	–	6 839
Debt impairment	13 478	4 322	17 800	18 293	–	493	102.8%	135.7%	–	–	–	17 675
Depreciation & asset impairment	15 030	1 246	16 277	14 588	–	(1 689)	89.6%	97.1%	–	–	–	13 965
Finance charges	10 099	(2 474)	7 625	8 231	–	606	107.9%	81.5%	–	–	–	8 242
Materials and bulk purchases	106 145	1 396	107 541	103 984	–	(3 557)	96.7%	98.0%	–	–	–	96 141
Transfers and grants	1 511	25	1 537	1 249	–	(287)	81.3%	82.6%	–	–	–	1 428
Other expenditure	37 325	19 392	56 717	37 473	–	(19 244)	66.1%	100.4%	–	–	–	34 553
Total Expenditure	313 308	39 522	352 830	329 386	–	(23 444)	93.4%	105.1%	–	–	–	290 099
Surplus/(Deficit)	213	(70)	143	(2 593)		(2 736)	-1815.5%	-1219.1%				(16 960)
Transfers recognised - capital	40 317	12 308	52 625	37 751		(14 874)	71.7%	93.6%				35 858
Contributions recognised - capital & contributed assets	5 000	–	5 000	33 633		28 633	0.0%	672.7%				8
Surplus/(Deficit) after capital transfers & contributions	45 530	12 238	57 768	68 791		11 023	119.1%	151.1%				18 906
Share of surplus/ (deficit) of associate	–	–	–	–		–	0.0%	0.0%				–
Surplus/(Deficit) for the year	45 530	12 238	57 768	68 791		11 023	119.1%	151.1%				18 906
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	40 317	17 308	57 625	34 100		(23 525)	59.2%	84.6%				31 475
Public contributions & donations	5 000	(5 000)	–	–		–	0.0%	0.0%				–
Borrowing	10 000	–	10 000	9 572		(428)	0.0%	0.0%				–
Internally generated funds	4 545	1 101	5 646	4 047		(1 599)	71.7%	89.0%				9 179
Total sources of capital funds	59 862	13 409	73 271	47 719		(25 551)	65.1%	79.7%				40 655
Cash flows												
Net cash from (used) operating	57 296	(20 552)	36 744	33 229		(3 515)	90.4%	58.0%				81 532
Net cash from (used) investing	(49 309)	(13 409)	(62 718)	(48 863)		13 855	77.9%	99.1%				(37 640)
Net cash from (used) financing	196	3 918	4 115	607		(3 508)	14.7%	308.8%				(1 555)
Cash/cash equivalents at the year end	27 869	(3 275)	24 593	31 425		6 831	127.8%	112.8%				46 453

MATZIKAMA MUNICIPALITY - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification) - Unaudited

Description	2018/2019								2017/18			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Functional												
Governance and administration	161 881	25 932	187 813	171 220		(16 593)	91.2%	105.8%				140 371
Executive and council	–	27	27	27		–	100.0%	#DIV/0!				231
Finance and administration	161 881	25 905	187 786	171 193		(16 593)	91.2%	105.8%				140 140
Internal audit	–	–	–	–		–	0.0%	0.0%				–
Community and public safety	10 904	3 511	14 415	9 613		(4 802)	66.7%	88.2%				10 132
Community and social services	7 854	(166)	7 688	6 814		(874)	88.6%	86.8%				7 138
Sport and recreation	2 705	0	2 706	2 272		(433)	84.0%	84.0%				2 126
Public safety	–	–	–	–		–	0.0%	0.0%				–
Housing	344	3 677	4 021	527		(3 495)	13.1%	153.0%				868
Health	–	–	–	–		–	0.0%	0.0%				–
Economic and environmental services	15 344	13 830	29 174	57 800		28 626	198.1%	376.7%				18 180
Planning and development	5 494	126	5 620	2 080		(3 540)	37.0%	37.9%				628
Road transport	9 851	13 703	23 554	55 720		32 167	236.6%	565.7%				17 553
Environmental protection	–	–	–	–		–	0.0%	0.0%				–
Trading services	170 709	8 487	179 196	159 544		(19 651)	89.0%	93.5%				140 322
Energy sources	123 171	299	123 470	108 452		(15 017)	87.8%	88.1%				100 072
Water management	15 308	6 988	22 296	19 487		(2 809)	87.4%	127.3%				11 016
Waste water management	15 919	1 200	17 119	16 236		(883)	94.8%	102.0%				14 252
Waste management	16 311	0	16 311	15 369		(942)	94.2%	94.2%				14 983
Other	–	–	–	–		–	0.0%	0.0%				–
Total Revenue - Standard	358 838	51 760	410 598	398 177		(12 421)	97.0%	111.0%				309 006
Expenditure - Functional												
Governance and administration	73 212	11 906	85 119	74 091	–	(11 028)	87.0%	101.2%	–	–	–	67 845
Executive and council	14 100	3 296	17 395	15 864	–	(1 531)	91.2%	112.5%	–	–	–	14 181
Finance and administration	59 113	8 611	67 724	58 227	–	(9 497)	86.0%	98.5%	–	–	–	53 664
Internal audit	–	–	–	–	–	–	0.0%	0.0%	–	–	–	–
Community and public safety	24 356	7 351	31 707	27 021	–	(4 686)	85.2%	110.9%	–	–	–	20 269
Community and social services	15 283	3 860	19 143	18 256	–	(887)	95.4%	119.5%	–	–	–	13 060
Sport and recreation	7 631	(155)	7 476	7 058	–	(418)	94.4%	92.5%	–	–	–	5 897
Public safety	–	–	–	–	–	–	0.0%	0.0%	–	–	–	–
Housing	1 442	3 646	5 088	1 707	–	(3 381)	33.6%	118.4%	–	–	–	1 312
Health	–	–	–	–	–	–	0.0%	0.0%	–	–	–	–
Economic and environmental services	51 853	10 429	62 282	62 381	–	99	100.2%	120.3%	–	–	–	50 212
Planning and development	10 892	(258)	10 633	9 274	–	(1 360)	87.2%	85.1%	–	–	–	8 502
Road transport	40 961	10 687	51 648	53 107	–	1 459	102.8%	129.7%	–	–	–	41 710
Environmental protection	–	–	–	–	–	–	0.0%	0.0%	–	–	–	–
Trading services	162 300	9 597	171 897	164 233	–	(7 664)	95.5%	101.2%	–	–	–	150 278
Energy sources	105 555	6 163	111 718	105 103	–	(6 615)	94.1%	99.6%	–	–	–	97 729
Water management	20 763	3 606	24 368	21 585	–	(2 783)	88.6%	104.0%	–	–	–	17 492
Waste water management	13 919	(1 064)	12 855	13 417	–	561	104.4%	96.4%	–	–	–	12 763
Waste management	22 063	892	22 955	24 128	–	1 173	105.1%	109.4%	–	–	–	22 295
Other	1 587	239	1 826	1 660	–	(166)	90.9%	104.6%	–	–	–	1 495
Total Expenditure - Standard	313 308	39 522	352 830	329 386	–	(23 444)	93.4%	105.1%	–	–	–	290 099
Surplus/(Deficit) for the year	45 530	12 238	57 768	68 791	–	11 023	119.1%	151.1%	–	–	–	18 906

MATZIKAMA MUNICIPALITY - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote) - Unaudited

Vote Description R thousand	2018/2019								2017/18			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Vote 1 - Council & Executive	–	27	27	27		–	100.0%	#DIV/0!				231
Vote 2 - Financial Services	151 610	25 134	176 744	158 034		(18 710)	89.4%	104.2%				127 577
Vote 3 - Corporate Services	7 625	51	7 676	6 985		(692)	91.0%	91.6%				1 508
Vote 4 - Community Development Services	16 903	17 206	34 109	26 646		(7 463)	78.1%	157.6%				47 172
Vote 5 - Infrastructure Services	182 699	9 342	192 042	206 486		14 444	107.5%	113.0%				132 518
	–	–	–	–		–	0.0%	0.0%				–
Total Revenue by Vote	358 838	51 760	410 598	398 177		(12 421)	97.0%	111.0%				309 006
Expenditure by Vote to be appropriated												
Vote 1 - Council & Executive	14 100	3 296	17 395	15 864	(1 531)	(1 531)	91.2%	112.5%	–	–	–	14 181
Vote 2 - Financial Services	42 803	4 582	47 386	38 936	(8 450)	(8 450)	82.2%	91.0%	–	–	–	35 839
Vote 3 - Corporate Services	21 679	3 837	25 516	25 114	(402)	(402)	98.4%	115.8%	–	–	–	15 330
Vote 4 - Community Development Services	45 546	14 907	60 453	59 454	(999)	(999)	98.3%	130.5%	–	–	–	68 774
Vote 5 - Infrastructure Services	189 180	12 900	202 080	190 018	(12 062)	(12 062)	94.0%	100.4%	–	–	–	155 975
	–	–	–	–	–	–	0.0%	#DIV/0!	–	–	–	–
Total Expenditure by Vote	313 308	39 522	352 830	329 386	(23 444)	(23 444)	93.4%	105.1%	–	–	–	290 099
Surplus/(Deficit) for the year	45 530	12 238	57 768	68 791		11 023	119.1%	151.1%				18 906

MATZIKAMA MUNICIPALITY - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure) - Unaudited

Description R thousand	2018/2019								2017/18			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue By Source												
Property rates	47 103	0	47 103	43 225		(3 878)	91.8%	91.8%				44 727
Service charges - electricity revenue	123 171	0	123 171	108 452		(14 718)	88.1%	88.1%				100 072
Service charges - water revenue	15 308	6 988	22 296	19 487		(2 809)	87.4%	127.3%				11 016
Service charges - sanitation revenue	15 919	0	15 919	15 268		(652)	95.9%	95.9%				14 252
Service charges - refuse revenue	16 258	0	16 258	15 353		(905)	94.4%	94.4%				14 941
Service charges - other	–	–	–	–		–	0.0%	0.0%				–
Rental of facilities and equipment	1 513	825	2 338	2 290		(47)	98.0%	151.4%				1 597
Interest earned - external investments	1 632	1 900	3 532	3 312		(220)	93.8%	202.9%				2 498
Interest earned - outstanding debtors	3 285	1 129	4 414	4 900		486	111.0%	149.2%				2 835
Dividends received	–	–	–	–		–	0.0%	0.0%				–
Fines, penalties and forfeits	2 594	13 200	15 794	16 447		653	104.1%	634.0%				10 835
Licences and permits	1 126	0	1 127	1 010		(116)	89.7%	89.7%				1 302
Agency services	3 234	300	3 534	3 369		(165)	95.3%	104.2%				3 285
Transfers and subsidies	64 089	4 386	68 476	64 102		(4 374)	93.6%	100.0%				59 053
Other revenue	7 734	10 724	18 458	29 468		11 010	159.6%	381.0%				6 241
Gains on disposal of PPE	10 553	0	10 553	110		(10 443)	1.0%	1.0%				486
Total Revenue (excluding capital transfers and contributions)	313 520	39 452	352 973	326 793		(26 180)	1303.8%	2310.9%				273 139
Expenditure By Type												
Employee related costs	122 493	15 905	138 398	138 632	–	234	100.2%	113.2%	–	–	–	111 255
Remuneration of councillors	7 226	(291)	6 935	6 935	–	(0)	100.0%	96.0%	–	–	–	6 839
Debt impairment	13 478	4 322	17 800	18 293	–	493	102.8%	135.7%	–	–	–	17 675
Depreciation & asset impairment	15 030	1 246	16 277	14 588	–	(1 689)	89.6%	97.1%	–	–	–	13 965
Finance charges	10 099	(2 474)	7 625	8 231	–	606	107.9%	81.5%	–	–	–	8 242
Bulk purchases	94 443	(0)	94 443	94 145	–	(299)	99.7%	99.7%	–	–	–	87 612
Other materials	11 702	1 396	13 098	9 839	–	(3 258)	75.1%	0.0%	–	–	–	8 529
Contracted services	10 786	6 523	17 309	9 643	–	(7 666)	55.7%	89.4%	–	–	–	7 748
Transfers and subsidies	1 511	25	1 537	1 249	–	(287)	81.3%	82.6%	–	–	–	1 428
Other expenditure	26 539	12 869	39 408	27 683	–	(11 726)	70.2%	104.3%	–	–	–	26 157
Loss on disposal of PPE	–	–	–	147	–	147	0.0%	0.0%	–	–	–	649
Total Expenditure	313 308	39 522	352 830	329 386	–	(23 444)	882.6%	899.5%	–	–	–	290 099
Surplus/(Deficit)	213	(70)	143	(2 593)	–	(2 736)	-1815.5%	-1219.1%				(16 960)
Transfers and subsidies - capital (monetary allocations)	40 317	12 308	52 625	37 751		(14 874)	71.7%	0.0%				35 858
Transfers and subsidies - capital (monetary allocations)	5 000	–	5 000	1 665		(3 335)	0.0%	33.3%				–
Transfers and subsidies - capital (in-kind - all)	–	–	–	31 968		31 968	0.0%	0.0%				8
Surplus/(Deficit) after capital transfers & contributions	45 530	12 238	57 768	68 791		11 023	119.1%	151.1%				18 906
Taxation	–	–	–	–		–	0.0%	0.0%				–
Surplus/(Deficit) after taxation	45 530	12 238	57 768	68 791		11 023	119.1%	151.1%				18 906
Attributable to minorities	–	–	–	–		–	0.0%	0.0%				–
Surplus/(Deficit) attributable to municipality	45 530	12 238	57 768	68 791		11 023	119.1%	151.1%				18 906
Share of surplus/ (deficit) of associate	–	–	–	–		–	0.0%	0.0%				–
Surplus/(Deficit) for the year	45 530	12 238	57 768	68 791		11 023	119.1%	151.1%				18 906

MATZIKAMA MUNICIPALITY - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding - Unaudited

Vote Description R thousand	2018/2019								2017/18			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - Council & Executive	900	(252)	648	610	-	(38)	94%	68%	-	-	-	-
Vote 2 - Financial Services	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 3 - Corporate Services	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 4 - Community Development Services	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 5 - Infrastructure Services	-	-	-	-	-	-	0%	0%	-	-	-	-
Capital multi-year expenditure	900	(252)	648	610	-	(38)	94%	68%	-	-	-	-
Single-year expenditure												
Vote 1 - Council & Executive	-	590	590	588	-	(2)	0%	0%	-	-	-	-
Vote 2 - Financial Services	425	225	650	471	-	(179)	72%	111%	-	-	-	-
Vote 3 - Corporate Services	955	22	977	856	-	(121)	88%	90%	-	-	-	-
Vote 4 - Community Development Services	845	557	1 402	957	-	(446)	68%	113%	-	-	-	-
Vote 5 - Infrastructure Services	56 737	12 266	69 004	44 238	-	(24 765)	64%	78%	-	-	-	37 068
	-	-	-	-	-	-	0%	0%	-	-	-	-
Capital single-year expenditure	58 962	13 660	72 622	47 109	-	(25 513)	65%	80%	-	-	-	37 068
Total Capital Expenditure - Vote	59 862	13 409	73 271	47 719	-	(25 551)	65%	80%	-	-	-	37 068
Capital Expenditure - Functional												
Governance and administration	1 600	516	2 116	1 874	-	(242)	89%	117%	-	-	-	2 090
Executive and council	900	338	1 238	1 198	-	(40)	97%	133%	-	-	-	660
Finance and administration	700	178	878	676	-	(202)	77%	97%	-	-	-	1 431
Internal audit	-	-	-	-	-	-	0%	0%	-	-	-	-
Community and public safety	2 225	799	3 024	2 514	-	(510)	83%	113%	-	-	-	2 743
Community and social services	930	682	1 612	1 283	-	(329)	80%	138%	-	-	-	346
Sport and recreation	1 295	57	1 352	1 231	-	(121)	91%	95%	-	-	-	2 397
Public safety	-	60	60	-	-	(60)	0%	0%	-	-	-	-
Housing	-	-	-	-	-	-	0%	0%	-	-	-	-
Health	-	-	-	-	-	-	0%	0%	-	-	-	-
Economic and environmental services	22 636	(355)	22 280	19 397	-	(2 883)	87%	86%	-	-	-	17 337
Planning and development	185	(65)	120	95	-	(25)	79%	51%	-	-	-	42
Road transport	22 451	(290)	22 160	19 302	-	(2 858)	87%	86%	-	-	-	17 296
Environmental protection	-	-	-	-	-	-	0%	0%	-	-	-	-
Trading services	33 402	12 448	45 850	23 934	-	(21 916)	52%	72%	-	-	-	18 484
Energy sources	6 900	(2 247)	4 653	4 139	-	(514)	89%	60%	-	-	-	1 950
Water management	19 510	14 096	33 605	13 102	-	(20 503)	39%	67%	-	-	-	11 772
Waste water management	1 892	1 659	3 551	2 791	-	(759)	79%	148%	-	-	-	2 740
Waste management	5 100	(1 058)	4 042	3 903	-	(139)	97%	77%	-	-	-	2 022
Other	-	-	-	-	-	-	0%	0%	-	-	-	-
Total Capital Expenditure - Standard	59 862	13 409	73 271	47 719	-	(25 551)	65%	80%	-	-	-	40 655
Funded by:												
National Government	35 949	4 624	40 573	30 236	-	(10 337)	75%	84%	-	-	-	30 162
Provincial Government	4 369	7 683	12 052	2 416	-	(9 636)	20%	55%	-	-	-	1 314
District Municipality	-	-	-	-	-	-	0%	0%	-	-	-	-
Other transfers and grants	-	5 000	5 000	1 448	-	(3 552)	0%	0%	-	-	-	-
Transfers recognised - capital	40 317	17 308	57 625	34 100	-	(23 525)	59%	85%	-	-	-	31 475
Public contributions & donations	5 000	(5 000)	-	-	-	-	0%	0%	-	-	-	-
Borrowing	10 000	-	10 000	9 572	-	(428)	0%	0%	-	-	-	-
Internally generated funds	4 545	1 101	5 646	4 047	-	(1 599)	72%	89%	-	-	-	9 179
Total Capital Funding	59 862	13 409	73 271	47 719	-	(25 551)	65%	80%	-	-	-	40 655

MATZIKAMA MUNICIPALITY - Reconciliation of Table A7 Budgeted Cash Flows - Unaudited

Description	2018/2019							2017/18
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties and collection charges	44 012	(513)	43 499	43 452	(47)	99.9%	98.7%	–
Service charges	159 456	4 596	164 052	162 137	(1 915)	98.8%	101.7%	180 981
Other revenue	18 393	1 054	19 448	5 613	(13 834)	28.9%	30.5%	–
Government - operating	64 089	2 769	66 858	64 709	(2 149)	96.8%	101.0%	58 696
Government - capital	40 317	(1 824)	38 494	38 824	330	100.9%	96.3%	58 066
Interest	4 918	2 691	7 609	8 212	603	107.9%	167.0%	5 332
Dividends	–	–	–	–	–	0.0%	0.0%	–
Payments								
Suppliers and employees	(269 219)	(30 687)	(299 906)	(282 878)	17 028	94.3%	105.1%	(214 504)
Finance charges	(3 159)	1 386	(1 773)	(5 592)	(3 819)	315.4%	177.0%	(5 603)
Transfers and Grants	(1 511)	(25)	(1 537)	(1 249)	287	81.3%	82.6%	(1 436)
NET CASH FROM/(USED) OPERATING ACTIVITIES	57 296	(20 552)	36 744	33 229	(3 515)	0.0%	0.0%	81 532
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	10 553	–	10 553	184	(10 369)	1.7%	1.7%	1 204
Decrease (Increase) in non-current debtors	–	–	–	(1 328)	(1 328)	0.0%	0.0%	(64)
Decrease (increase) other non-current receivables	–	–	–	–	–	#DIV/0!	#DIV/0!	–
Decrease (increase) in non-current investments	–	–	–	–	–	0.0%	0.0%	–
Payments								
Capital assets	(59 862)	(13 409)	(73 271)	(47 719)	25 551	65.1%	79.7%	(38 780)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(49 309)	(13 409)	(62 718)	(48 863)	13 855	0.0%	0.0%	(37 640)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	–	–	–	–	–	0.0%	0.0%	–
Borrowing long term/refinancing	10 000	–	10 000	10 000	–	0.0%	0.0%	–
Increase (decrease) in consumer deposits	(4 452)	4 302	(150)	(4 732)	(4 582)	3159.9%	106.3%	280
Payments								
Repayment of borrowing	(5 352)	(384)	(5 736)	(4 662)	1 074	81.3%	87.1%	(1 835)
NET CASH FROM/(USED) FINANCING ACTIVITIES	196	3 918	4 115	607	(3 508)	14.7%	308.8%	(1 555)
NET INCREASE/ (DECREASE) IN CASH HELD	8 183	(30 042)	(21 859)	(15 028)				
Cash/cash equivalents at the year begin:	19 686	26 767	46 453	46 453				4 116
Cash/cash equivalents at the year end:	27 869	(3 275)	24 593	31 425	–	127.8%	112.8%	46 453